



# ***JPRS Report***

DISTRIBUTION STATEMENT A  
Approved for public release  
Distribution Unlimited

# **East Europe**

19980202 078

DTIC QUALITY INSPECTED 3'

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL  
INFORMATION SERVICE  
SPRINGFIELD, VA 22161

# East Europe

JPRS-EER-91-156

## CONTENTS

18 October 1991

### ALBANIA

- Croatian Journal Interviews Bufo on Kosovo [Zagreb DANAS 17 Sep] ..... 1

### BULGARIA

- Economic Relations With CSFR Viewed [DELOVI SVYAT 2 Sep] ..... 4

### CZECHOSLOVAKIA

- Rychetsky Calls Confederation Utopian Idea [NARODNA OBRODA 27 Sep] ..... 6  
Miklosko Talks About His Life, Political Role [NARODNA OBRODA 25 Sep] ..... 8  
KDH Official on Aspects of Slovak Sovereignty [SLOVENSKY DENNIK 14 Sep] ..... 11  
Daily Claims Sovereignty in Federation Impossible [PRACA 21 Sep] ..... 13  
Minister Explains Pensions, New Financing Methods [HOSPODARSKE NOVINY 18 Sep] ..... 14  
Foreign Investment Types Discussed [HOSPODARSKE NOVINY 19 Sep] ..... 16

### HUNGARY

- MSZOSZ Seeks Ties With European Parliament [NEPSZABADSAG 14 Sep] ..... 21  
Official on Trade Relations With CSFR, Poland [FIGYELO 19 Sep] ..... 21  
MNB Independence: Background, Suranyi Comment [NEPSZABADSAG 4 Sep] ..... 22  
Trade Unions Lack Popularity, Vie for Members [HETI VILAGGAZDASAG 14 Sep] ..... 24  
Consultants to Previous Regime Seek Contract [NEPSZABADSAG 5 Sep] ..... 25  
Privatization Rate, Parameters Assessed [MAGYAR HIRLAP 18 Sep] ..... 26  
'Upgrading' Holding Corporation Progress Report [NEPSZABADSAG 4 Sep] ..... 27  
Banker's View of Proposed Banking Law [MAGYAR HIRLAP 12 Sep] ..... 28  
Decline in 1990 Profit Tax Analyzed [FIGYELO 12 Sep] ..... 30  
Listing of Foreign Industrial Firms Present [FIGYELO 19 Sep] ..... 31  
Leader of Faith Congregation Interviewed [REFORM 5 Sep] ..... 34

### POLAND

- Party Economic Platforms Delineated [ZYCIE GOSPODARCZE 22, 29 Sep] ..... 36  
Elections Elicit Party Views on Economic Issues [ZYCIE WARSZAWY 17, 24 Sep] ..... 44  
Present State of Trade With Soviets Viewed [GAZETA BANKOWA 8-14 Sep] ..... 46  
Statistics on Denationalized Enterprises [GAZETA BANKOWA 8-14 Sep] ..... 48  
POLITYKA Weekly News Roundup: 8-14 Sep [14 Sep] ..... 50  
POLITYKA Weekly News Roundup: 15-21 Sep [21 Sep] ..... 52

### ROMANIA

- Respected Columnist on Latest Miners Riots [TINERETUL LIBER 1, 2, 3, 4 Oct] ..... 54

### YUGOSLAVIA

- Regulations on Structure of Tripartite Government [POLITIKA 21 Sep] ..... 61  
Paraga on Guerrilla Activity Plans in Serbia [DANAS 17 Sep] ..... 61  
Croatian Information Minister Interviewed [DANAS 17 Sep] ..... 65  
Role, Status of Croatian Emigres Discussed [DANAS 17 Sep] ..... 66  
Interviews With Croatian Diplomatic Representatives [DANAS 17 Sep] ..... 70  
Conflict in Bosnia-Hercegovina Defense Ministry [BORBA 23 Sep] ..... 71  
Details on Armed Forces in Serbia, Other Republics [DANAS 1 Oct] ..... 72  
Slovene-Czechoslovak Economic, Political Relations [NEODVISNI DNEVNIK 19 Sep] ..... 73  
Croatian Finance Minister on War Economy [DANAS 17 Sep] ..... 74

**Croatian Journal Interviews Buçi on Kosovo**  
92BA0023A Zagreb DANAS in Serbo-Croatian  
17 Sep 91 pp 44-45

[Interview with Prime Minister Ylli Buçi by Llukman Halili in Tirana; date not given: "Albania Is Not an Observer"—first paragraph is DANAS introduction]

[Text] The youngest European prime minister on self-determination for the Albanian people as a solution for their position in Kosovo, on the vicious circle of the serious crisis and democratic reforms, the only way out of which is through aid from the West, on Albanians' belonging to Europe, and on relations with Croatia and Slovenia

Tirana (special report for DANAS from a HINA correspondent)—Ylli Buçi is certainly the youngest prime minister in today's Europe: He is only 43 years old. He is a regular professor at the University of Tirana, and has a doctorate in economic sciences. He is married, and has a son and daughter. His present official occupation is president of Albania's Council of Ministers. He came to the position of prime minister from the ranks of the Socialist Party of Albania, until recently the Albanian Party of Labor (the former Communists), at the proposal of President Ramiz Alia. The present Albanian Government is likewise the youngest in Europe: The average age of the ministers is 40. Buçi's government is facing a difficult and responsible task: saving Albania from economic catastrophe and keeping the most vital and youngest part of the population from leaving the country. During this year alone, in several mass exodes more than 40,000 young Albanians have left Albania because of the lack of economic prospects. The first question in the interview with the Albanian Prime Minister, however, imposes itself just because of the very tense and volatile situation in Kosovo and the difficult position of Albanians there.

[Halili] The Albanian people in Kosovo are being threatened with a massacre from day to day. Recently, the Serbian Kosovo political association "warned" Albanians that "they had to watch out, because they have more than 750 ethnically pure settlements" in Kosovo, they are being threatened by Cetniks, and there is also the so-called Yugoslav Army, which the Albanians consider a Serbian army. What would Albania do if there were a clash between the Serbian war machine, which is armed to the teeth, and the population of Kosovo?

[Buçi] First of all, Albania insists on eliminating the use of military force, which would have far-reaching consequences not just for the Albanians in Kosovo, but also for all others, and even for the Balkans as a whole and for Europe. We will make the greatest possible efforts, together with the leaders of the Kosovo political parties (the Albanian ones), to avoid any conflict whatsoever. The political maturity of the Albanians who are leading the people in Kosovo is strengthening our belief that it is possible to avoid a conflict, which someone certainly wants and is trying to stage with all his might. If anything

like that does happen, however, it will be painful and bloody. One cannot predict where and when that "theater" will end. Something is certain, however: We will not be observers then.

[Halili] The Serbs say that the Albanians in Yugoslavia are not a people, but rather a national minority, and that therefore they can have rights like all minorities in the world.

[Buçi] That is pure stupidity, and those who say that are real idiots. Who can call a people with a population of 3 million a minority? The answer is, no sensible person in the world. The Albanians are living in homes where they have been for centuries, and they will stay there, whether anyone likes it or not!

[Halili] The current economic and political situation in Albania is very serious. Hunger is virtually ruling the country. Recently, a report from an international humanitarian organization warned that 50 percent of Albanian children were chronically hungry.

[Buçi] It is true that the situation is extremely serious, and we also have problems with feeding the population. Judging from our contacts to date with the Government of Italy and other members of the European Community [EC], the aid and loans that they are giving Albania are making it possible to surmount certain difficulties. I would single out above all the aid from Italy, which it is giving us for September, October, and November, and which the EC will continue on the basis of a decision that it will adopt on 17 September. With this aid, we believe that we will alleviate the problem of feeding the population to a considerable extent. That is not the main goal of our government, however. We are actually trying, while using that aid, to carry out a broad reform aimed at privatizing the economy. This has to do with the first "package" of laws, which the government has already passed, and which it will begin to implement as early as the end of September and the beginning of October. They deal with liberalizing prices and creating conditions for the market operation of all Albanian enterprises. We will have to do something with the national currency, the lek. This means that we will use aid and loans for two purposes: for satisfying the urgent needs of the population, and for beginning economic reform. We will also seek aid from the United States, as well as other countries on all continents. Our most urgent task, however, remains the reactivation of the economy. That is the key to all successes.

[Halili] We have never before observed greater dissatisfaction and pessimism among the people concerning their future. We are now also observing mass occurrences of discouragement, despair, but also thefts, hooliganism, and anarchy....

[Buçi] It is truly a complicated situation. This economic crisis and other factors have also caused a social crisis, and the latter is reflected through a crisis of confidence, because people have not only lost security in the present, but they also do not see any security in the future. That

situation is increasingly intensifying the general crisis. It is true that crime is increasing, and there are even cases of kidnapping for profit. All of this is creating tension among citizens who are justifiably afraid for their personal safety and for the safety of their families and property. Admittedly, we have undertaken some measures to strengthen the forces of order, but it must be clear to you that that is not enough. All of this is closely tied to the economic and social crisis. The beginning of the reform will make it possible to overcome such a situation. We are working intensively on becoming involved in the business of foreign companies. We will begin to renovate run-down Albania, and when people see an improvement, and full shops, i.e., the first fruits of our work, I am firmly convinced that they will begin to believe in the new Albania that is becoming our people's democratic ideal.

[Halili] One gets the impression, however, that everything that you are talking about is somehow going too slowly. Why is that?

[Bufi] Perhaps that is true. Actually, it is a vicious circle. You already know that surmounting a crisis requires investments, but foreign companies seek guarantees in return. That is the vicious circle that we, as a government, are trying to break. In doing so, we need the help of all political forces and the entire people. I personally believe that the situation will gradually improve. Democratic reforms cannot be carried out in one night, month, or year, as our people would like. The totalitarian regime that ruled in all areas of life destroyed the economy most of all. We therefore need a transition period, which will be painful for many people, but shock therapy is inevitable; we have to go through it, and the sooner the better. I agree that for the time being no results can be seen from the work of our coalition government, but I assure you that there will soon be visible results. We only need political stabilization of the country as a precondition for better and faster implementation of economic and political reform.

[Halili] Now an unavoidable question poses itself. How much can such an Albania, in such a miserable state, help Kosovo? More precisely, how much can it commit itself to defending Albanians throughout Yugoslavia? Or, perhaps, is the support coming from Tirana mostly verbal? Finally, what are the ways to solve the Albanian question in Yugoslavia?

[Bufi] A stable Albania is certainly the main factor in a solution in Kosovo. On the other hand, in several talks with representatives of Kosovo and Yugoslav Albanians, we have pointed out that a solution for Kosovo, as well as for Albanian-Yugoslav relations, is closely linked to the internationalization of the entire problem. Now a peace conference is under way in The Hague that also has to solve the Kosovo problem. Albanians, unfortunately, are not participating in that conference, but it is our government's clear position that without the Albanians there cannot be a solution to any of the problems in Yugoslavia. We also maintain that in Yugoslavia, only

peoples can decide on their own fate. When I say "peoples," I am also thinking of the Albanian people, which is the third in size in Yugoslavia, after the Serbs and Croats. Albanians have a right to self-determination, like any other people, and they must have their say about how their state is organized. Yugoslavia is actually disassociating, and we are deeply interested in having a just solution found for Kosovo in that process as well as for the problems of all the Albanians who are living on the territory of the state that is still called Yugoslavia.

[Halili] Albanian foreign policy, after the fall of what you called communist society, is opening up new paths and acquiring new insights. Albania is emerging from the 50 years of isolation imposed by Enver Hoxha. The world, however, is getting the impression that you are openly conducting a pro-Western, or rather pro-American policy, because it is felt that at this time Albania can only be saved from the worst by Western investments and aid. On the other hand, historically, culturally, and traditionally, Albanians belong to the East. Is this all correct?

[Bufi] The Albanian people have made a historic decision that they belong to Europe, not just geographically, but also politically and economically. That means that in order for us to be in Europe, we also need aid from Europe itself. Actually, one can no longer speak of a division of Europe between East and West. We need aid from the West as we do our daily bread in order for us to carry out democratic reforms successfully. There is no turning back from that path. That is why the events in the Soviet Union were the best lesson for those who wanted something else. All the Eastern countries that have carried out a revolution and broken the specters of conformity are now in urgent need of some sort of new Marshall Plan.

[Halili] The foreign media are frequently writing and speaking about the possible stationing of American military bases in Albania, especially those for which the agreement is now expiring in Greece. Is there any truth to this, or are these state secrets that should not be discussed?

[Bufi] These are assumptions, not only by journalists but also by politicians, who arrive at such ideas on the basis of their own analyses, which do not always have to be credible.

[Halili] We are witnessing the growth of united Germany's role and influence in the world. Some people, especially in Serbian political circles, are talking about a "Fourth Reich." What are relations between Albania and Germany like?

[Bufi] The unification of Germany was a natural process. A great mistake was made by dividing the German people, and that mistake, in my opinion, was corrected too late. I do not think that the unification of Germany is a danger to anyone. Certainly, however, in view of its strength and potential, especially its economic potential, Germany will once again have the principal voice in inter-European relations, whether anyone likes it or not.

[Halili] Many people saw a big chance for themselves in the recent events in the Soviet Union, and some people were even openly linked to the coup leaders. Were there any people in Albania who supported the coup by the Soviet generals and KGB leaders?

[Bufi] There is no doubt that there are conservative forces in Albania, just as there are anarchists. They are all extremist forces that are not interested in the country's stability. I think that such forces are not any real danger. No one can take Albania back today, regardless of his dreams.

[Halili] Let us go back to events in the near vicinity. How do you view current relations with your neighbors?

[Bufi] Our relations with our neighbors are excellent, except for Yugoslavia; and in relations with Yugoslavia we have started to make a selection, and we are improving those relations on a selective basis. We can freely assess relations with Italy and Greece as friendly. We will continue to improve those relations in the future as well.

[Halili] Croatia and Slovenia are the first Yugoslav republics to declare their independence. Can you tell us what your position is on this, and actually, the position of your government? Will you recognize Croatia and Slovenia?

[Bufi] I have already stated that we support peoples' right to self-determination. We will continue to follow events in Yugoslavia, and we will support the form of state organization chosen by the peoples of Croatia and Slovenia.

[Halili] You say that you will respect the will of the people, but the Croatian and Slovene people have already expressed that will....

[Bufi] We support and respect that will. We have recently begun to establish relations with Croatia, and we have already signed an agreement on mutual cooperation. We will soon establish relations with Slovenia as well.

[Halili] You are certainly the youngest prime minister in Europe. What does that mean to you?

[Bufi] All of that together means an obligation and a responsibility, but also a great honor. But my ministers are also quite young and ambitious people, but above all, capable. They have taken their job, the welfare of Albania, very seriously, and that is why I hope that we will succeed.

[Halili] You came to the position of prime minister from the ranks of the Socialist Party of Albania, the former Albanian Party of Labor that was founded by Enver Hoxha....

[Bufi] I see what you are aiming at.... Listen, I prefer to talk and work for the present, on behalf of a better future. I do not say that one should avoid discussions of the work and personality of Enver Hoxha, but I maintain that history should state its own position on this. What remains for us is to affirm that the time of conformity, obscurantism, and isolation has passed once and for all, and that Albania is opening up new paths of development with the aspiration of creating a prosperous society. Personally, I and my ministers, upon entering the government, turned in our party membership cards, and we no longer belong to any political party. We belong only to Albania, and to devoted work to rescue the country from the crisis.

18 October 1991

## BULGARIA

**Economic Relations With CSFR Viewed**

*91BA1177A Sofia DELOVI SVYAT in Bulgarian  
2 Sep 91 pp 1-2*

[Article by Violeta Mitseva: "We Are Hoping for Better Times; Engineer Milan Czambor Discusses Bulgarian-Czechoslovak Economic Relations"]

[Text] Engineer Milan Czambor, the 54-year old trade counselor of the Czechoslovak Embassy in our country, has been in Sofia for a few months. Nonetheless, he already has a clear idea of Bulgarian-Czechoslovak economic relations. He is steadily developing contacts and traveling a great deal throughout the country to acquire a first-hand idea of the efficiency of the deals which have been concluded, assess the court of deliveries and unused opportunities. His professional training, for in addition to being a machine engineer, he is a graduate economist, allows him quickly to find his way in the new and rather complex or, to be more precise, difficult working conditions. He has been involved in the manufacturing of and trade in medical equipment since 1958; since 1970, he has worked in the area of foreign trade. He spent six years as member of the Czechoslovak Trade Mission in Moscow.

From the very start, our discussion on Bulgarian-Czechoslovak economic cooperation was frank and concerned. Also obvious, however, was the desire to use the long traditions and already gained positions, to relieve bottlenecks, and steadily to seek and broaden possibilities for enriching the import-export list. The initial data are not encouraging at all. In 1987 mutual trade amounted to 1 billion rubles (based on the respective ruble-dollar exchange rate); in 1990 it dropped to 470 billion rubles and for this year the sum of about 160 million dollars (a most optimistic projection) is expected.

"The conditions for economic cooperation between the two countries radically changed as a result of the dismantling of CEMA and the conversion to payments to convertible currency," Mr. Czambor said. "There would have been no problems had both partners started on the same level. However, such is not the situation. Bulgaria has "started" with a negative balance of payments of 178 million rubles; if we add accounts with Czechoslovakia within CEMA, the total would be 323 million rubles. That is why today the attention is focused above all on the faster elimination of obligations. In principle, this can be achieved through deliveries of goods. However, the difficulties experienced by the Bulgarian economy, essentially caused by the lack of raw materials and the restructuring of a number of sectors, makes the implementation of this difficult task significantly harder."

Mr. Czambor noted with concern that until the middle of the year Bulgaria had already contracted for the shipment of goods to meet its obligations, for a total of no more than 73 million rubles, but was able to supply goods worth no more than 17.7 million rubles' worth. He

is concerned by the fact that some enterprises are generally refusing to fulfill orders for Czechoslovakia, citing as their justification that they have not directly received anything from that country. As we know, Czechoslovakia has always met major state orders for Bulgaria, such as equipment for the power industry, machines and equipment, means of transportation, and so on, for use by the entire society.

"I am astonished," he said, "also by the fact that we are being refused deliveries of nonferrous metals, calcinated soda, minium, and so on, which makes the work of our enterprises more difficult, despite the fact that we have supplied items sought on the world market, such as high quality rolled materials, machines and equipment, and so on."

Engineer Czambor qualified as paradoxical the current situation in which Bulgarian enterprises and foreign trade companies are not fulfilling their obligations toward their "ruble" partners, giving preference to exports to countries with freely convertible currency.

Still, there is light at the end of the tunnel. Possibilities are being sought for barter deals. The range of newly established Bulgarian and Czechoslovak companies which would like to trade with each other is increasing. Cooperation between the Bulgarian Chamber of Commerce and Industry and its Czechoslovak partner could become even more active and useful in facilitating contacts between the two countries.

"Personally, I believe that we must work for a better knowledge of the newly established banks in the two countries," Mr. Czambor said. "So far there have been serious contacts only between the Bulgarian National Bank and the Czechoslovak Trade Bank. For the first time last year information centers began to work in Czechoslovakia, gathering information on the new companies, including the new private and state companies in Bulgaria, and they are prepared to provide such information to any interested party."

"Possibilities, albeit limited, exist for mutually profitable cooperation in a traditional area such as machine building," went on to say the commercial counselor. "Czechoslovakia has made a substantial contribution to and will continue to assist in the development of the Bulgarian power industry by supplying equipment for hydroelectric, thermoelectric and nuclear power plants. It seems to me that Bulgaria will decide to complete the nuclear power plant in Belene, for it is not rich enough to freeze the more than 750 million leva it has already invested in it. Furthermore, it does not have an equivalent alternative. Naturally, safety must be emphasized by purchasing safety equipment from reputed companies. In that case it will also be able to use the 'Czechoslovak 1,000-megawatt giant' (as described by the Bulgarian press), which has been waiting to be shipped at Bratislava Port for the past several months."

As to mixed enterprises, Mr. Czambor pointed out that for the time being such activities are virtually ignored.

The reason, according to him, is the so-called "atomizing" of enterprises, i.e., they are being splintered into individual companies. For the time being, each one of them is mostly engaged with problems of their own production and marketing rather than thinking of any kind of cooperation with foreign countries.

"There is some interest in cooperating with Czechoslovak partners," he noted. "Of late, however, it is as though the 'initial aggressiveness' of the newly created Bulgarian private companies has abated. One must travel and seek contacts on the spot and make deals, and create and produce new items and make more daring use of licenses."

According to the Czechoslovak representative, agriculture is a favorable area. It is possible to organize a mixed company for the fast transportation of fresh fruits and vegetables from Bulgaria to foreign countries. New modern canning enterprises could be created or else agricultural production complexes for ecologically clean products which would be exported to third markets, including in the developed countries.

We also discussed industrial cooperation in automotive manufacturing, which so far has had both positive and negative aspects. What is its future?

"Matters have become quite complex," said Engineer Czambor. "The Liberec Automotive Plant has had problems related to the reduced volume of output. Whereas so far it produced some 15,000 trucks annually, now it is producing no more than 3,000 to 5,000, which automatically reduces the need for rear axles produced by Madara in Shumen. Nevertheless, to a certain extent cooperation will continue."

In the past, more than 400,000 Czechs and Slovaks spent their annual summer vacations in our country. Today no one dares to predict how many will come this year. The reasons for this are several. First is the insufficiently high standard of services. Second is the competition. Under the conditions of democratization and the opening of borders, today Czechs and Slovaks already have the possibility of obtaining convertible currency and of traveling to the West. The prices in Spain, Greece, Turkey, and others are substantially lower than Bulgarian prices. Today it is more advantageous to the Czechoslovak citizen to visit Greece or Turkey where he

pays about \$10-\$15 per night in a hotel, rather than Bulgaria, where the overnight price is \$40-\$60 for the same category hotel.

It is common knowledge that about 80 percent of the enterprises in Czechoslovakia are currently experiencing serious financial difficulties under the new economic conditions, for which reason they are unable to provide social assistance to their personnel for organized recreation abroad, as was the case in the past. Consequently, the summer tourists in this area as well will be substantially fewer.

Bulgaria showed and is continuing to show an interest in Czechoslovak compressors, refrigeration equipment, transportation facilities, such as electric locomotive engines, streetcars and trolleybuses, and other items. Czechoslovakia is interested in Bulgarian measuring and control devices, electronics, hydraulics, nonferrous metals, calcinated soda, and other goods produced by the chemical industry. Also unique in terms of quality are Bulgarian fresh fruits and vegetables. However, the question of their packaging and their attractive presentation to the customers remains unresolved. Will the interest displayed so far remain under the new conditions?

"A decision must be made as to the conditions and means of eliminating the negative balance in bilateral trade. To accelerate the payment of the Bulgarian obligations, the Czechoslovak side will not charge the 20 percent tax it levies on all goods imported from abroad," Engineer Czambor pointed out. "In other words, Bulgarian goods which will be used to pay the debt will be exempt from such tax. The purpose is to make them more attractive to the Czechoslovak enterprises without, however, forgetting the stricter requirements concerning the quality of each imported item."

We are still waiting for the rate of exchange between the leva and the koruna to be set. Complex computations are being made. On the one hand, the ratio between the leva and the ruble and the leva and the dollar is considered and, on the other, between the koruna and the ruble and the koruna and the dollar. Which ratio will be accepted: 1:5, 1:3.5, or 1:1.6, as the Czechoslovak experts insist?

"The Bulgarian people are intelligent, inventive, and smart," Mr. Czambor said in conclusion. "These are qualities which are highly appreciated and will be useful in the new economic conditions as well as in Bulgarian-Czechoslovak trade relations. We must not forget that we are entering a new period in which everyone is becoming more prudent and more demanding, for which reason quality must be met with quality."

**Rychetsky Calls Confederation Utopian Idea**

*92CH0030A Bratislava NARODNA OBRODA in Slovak  
27 Sep 91 p 9*

[Interview with Pavel Rychetsky, Federal Assembly deputy chairman, by Bohumil Olach; place and date not given: "I Trust the Citizen's Wisdom"—first two paragraphs are NARODNA OBRODA introduction]

[Text] Pavel Rychetsky, the 47-year-old deputy prime minister of the CSFR Government and deputy chairman of the Civic Movement, supports our common federal state with all his mind and heart. He personally participates in the drafting and definition of the constitution; in the federal government he maintains contacts with the governments of the Czech Republic and of the Slovak Republic, and with the Czech National Council and the Slovak National Council.

On several occasions recently he expressed his apprehension that the politicians as well as the citizens of both our republics are weakening in their determination to preserve our common state, and he is painstakingly trying to promote an ongoing dialogue and mutual understanding between the Czech and Slovak partners.

[Olach] Do you feel that you personally have done everything that could be done to preserve our common state?

[Rychetsky] No politician can say that he has done everything, though I am guilty purely of a prophetic vision because even before our federal government was organized, all its members were asked on television what issues they considered of supreme importance, and already then I answered, "To safeguard the common state of the Czechs and Slovaks," although at that time no one had the slightest inkling that our state could be in danger of breaking up.

[Olach] Could the situation today be different had more people already in those days recognized such a danger?

[Rychetsky] In my view, quite a few politicians endorsed the currently prevalent tendency to alienate both our national republics. However, I can see that the media of mass information are the guiltiest. They adopted a tone with which they succeeded in manipulating several politicians both in the Czech and in the Slovak Republic into assuming a position as they had not initially intended.

[Olach] Really—in both the Czech and Slovak Republics?

[Rychetsky] I cannot follow the Slovak mass media constantly, and in particular, I do not watch television at all, not even Czech or federal programs. Nevertheless, all began right after the meeting in Trencianske Teplice. I should like to mention the reaction of the Czech press, for instance, of LIDOVE NOVINY, which for me is a particularly unpleasant circumstance because under the past regime I used to have my own column in every

illegal issue of LIDOVE NOVINY, and I am entitled to regard that paper as "my own." It was precisely this insensitive, blatantly one-sided manner of writing in Czech newspapers about the debates concerning the issue of power-sharing that markedly influenced our public opinion as well as the conduct of Czech politicians who were blamed for being too conciliatory and making too many concessions. In simple terms, our information media could not comprehend that politics are not only a concern for a day and an emotional reaction to more or less dynamic specifics, but that they involve long-range concepts and a patient dialogue. However, I want to emphasize that we still are unable to think and negotiate in a democratic manner and to conform to principles of essential political culture. For instance, deputies elected in free elections are switching political parties and leaving those that had nominated them. And the result? Considerable political instability. When they come to work, quite a few politicians start to thumb desperately through the newspapers in order to find out whether they have been attacked again; subconsciously they try to ingratiate themselves with the press. They react emotionally, under the influence of the situation at that moment.

However, the actual, fundamental cause of this nervousness on our political scene is a kind of a sociopolitical deviation—the divergence by which our citizen's expectations after November 1989 differ from the reality he is experiencing, and his consequent disappointment. He got used to freedom—for example, to freedom of expression, which is unequalled in the world—but in the euphoria of the first post-November days we had created such a framework for freedom and democracy that we had somewhat lost sight of the imperative to build up necessary safeguards that would protect the rights of this freedom and democracy. The unavoidable, unpopular steps of our economic reform have dealt a blow in the form of developments heretofore unknown in our country—unemployment, and in the beginning, rapid inflation and an increase of retail prices. A new phenomenon emerged—social anxiety, fear of the future—which we are not yet able to perceive correctly, to react to it, and to deal with it.

[Olach] Slovakia's political spectrum oscillates around the confederation. However, in the Czech Republic that option is being viewed almost as a bogeyman, and the Czechs argue that no confederation in the world had ever succeeded. Yet is it not possible for a new co-existence to start on the basis of the confederation, and then to be gradually consolidated and guided toward a federation? In fact, all of Europe leans toward a confederation, so how could the confederation factor be obsolete and dysfunctional?

[Rychetsky] That is a complete confusion of terms. The confederation is no bogeyman but a utopia. Such a form of constitutional arrangement could never be achieved anywhere at all. Confederative factors did succeed as mechanisms of coordination and cooperation in mutual relations among countries, but NATO, the European Economic Community, and the European Council are

associations which from the constitutional point of view cannot be defined as confederations. They are supranational organizations. Furthermore, President Mitterrand's plan, which is in the air, intends to remove state borders, unify currencies, and instead of a Europe of individual states, he wants to create a Europe of national regions. It would be absurd to start creating a new type of communities by breaking the CSFR apart. There were some rare occasions in history when a confederation served as a constitutional arrangement and a stage of transition to composite states of a federal type, for instance, during the unification of American states into the United States of America. But even that short-lived confederation led to a trade war, was dysfunctional, and moreover, resulted in a civil war, until they forged a solid federal state.

[Olach] Let us also consider the possibility that the federation will split. But won't then the Czech partners be so offended that even mutually advantageous practical relations may suffer?

[Rychetsky] We are in fact witnessing a certain change in the opinion of our Czech-Moravian-Silesian public. After those long governmental negotiations and fights for every determination in the Federal Assembly—also from the national position, when the standpoints of the Czech and the Slovak sides in the United Nations diverged diametrically—after a whole series of ill-conceived statements by politicians on both sides, the Czech part is beginning to adopt an attitude expressed in very simplistic but well intentioned terms: "If they want to go their own way, let them go." This view suits fine some Czech politicians who pretend to advocate Czechoslovakia's unity, although in reality they welcome every signal from the Slovak side that enables them to break off our joint dialogue.

Although I do not agree with that, I am aware that they operate with theories that are beginning to spread throughout the Czech lands, namely, that the Czechs have to subsidize Slovakia. For instance, they are using the argument that up to 80 percent of the goods exported by the federation to states with convertible currency come from the Czech Republic and only 20 percent from the Slovak Republic. They already have on hand a scenario according to which no later than one week after the breakup of the federation, the exchange rate of the Czech and Slovak monetary units will be 1:2; six months later, the exchange rate of the Czech koruna and the German mark will be 14:1, but in a year or 18 months it will be no more than 6:1, and thus, it is alleged that the Czech side of our present state will be able to achieve its economic reform a few years earlier than the Slovak part.

[Olach] And do you agree with that?

[Rychetsky] I regard such arguments literally as perverse because variety is its greatest asset for the future of every state in the world. How would it be if someone would separate, let us say, the economic miracle of the Italian north from the less productive south. And such a cut can

be made through every country in the world. But who would benefit? Democracy is based on variety and plurality, and that not only in the realm of political concepts. In my view, the very fact that as part of our common state, Slovakia is able to engage continuously in a dialogue about all fundamental procedures is a positive factor that benefits the democratic future of our state.

[Olach] Let us change the topic. It seems that you too are a thorn in the flesh to the Czech right wing. Why, Mr. Vaclav Benda included you in the company of A. Dubcek and others who, as members of the Communist Party in the past, are allegedly in need of "de-Bolshevization". What prompted him to say that—his right-wing convictions or a political game?

[Rychetsky] It would be ridiculous to assert that any political concept that divides citizens into equal and unequal can be the attribute of the democratic right. The term "de-Bolshevization" is a slogan by which individuals or political parties intend to gain more votes while striking the chords of dissatisfaction and disillusionments of a major part of our public. Moreover, Mr. Benda's specific expressions are deliberate lies. I probably look old and tired because on one of our meetings a militant activist asked me to confess what I was doing in February 1948. Well, at that time I was five years old and went to kindergarten. In 1968, as a 25-year-old graduate fresh out of law school I was just beginning to work as an assistant. I had joined the communist party in 1967, but resigned from it after the military invasion.

If the "de-Bolshevization" stratagem intends to brand everyone who at any time had been a member of the Communist Party in the past as a citizen without equal rights, and to bar him from taking part in the future of our country, that would be an idiotic idea. And I think that even those who support it publicly realize that. In the past, 5-7 million individuals in this country passed through that party, many right after the war from idealistic impulses, among them also such personages as Laco Novomesky, Vitezslav Nezval, and others. This stupid view tries to revive dogmatism that does not differ in the slightest from the old one. For me it seems typical that a whole number of new parties of the Leninist type have emerged.

[Olach] Why haven't we in this country thought more of the great "general forgiveness" as it was done in Spain and Italy? Is it still possible?

[Rychetsky] If we recall Vaclav Havel's first statements of principles (too bad that they have been forgotten), their unqualified credo was that every adult citizen of this country shares the responsibility, albeit not to the same extent, for its past, and it is our civic duty not to shift the blame to anyone else. There are quite a few well-thought plans, beginning with Jaspers' well-known book *The Question of Guilt* that deals with the German complex, national socialism and the explosion of World War II. Unfortunately, the plan that was successfully

implemented in Spain and that also seems to be implemented in Poland and Hungary, would be difficult to apply in our country because our situation is quite unlike that in Poland or Hungary. In those countries the communist system broke down because it was unable to safeguard even the basic economic processes; there was a danger of a general economic disaster, and in Poland, even of a phenomenon unprecedented in Europe—hunger. The ruling power in the CSFR had succeeded, albeit at the cost of ecological crimes and total exhaustion of our natural resources, in maintaining relatively high material standards. That is, I think, the real cause of this phenomenon—a primitive right-left view of the current situation along with a rather vulgar witch hunt. In Bohemia and Moravia everybody labeled as leftist is an enemy, while in Slovakia there is a danger that the Hungarians, Czechs, and so on will be branded as enemies.

[Olach] I may be mistaken, but to me the structure and the status on the political scene seem to indicate that the closest partner of Civic Forum is Meciar's For a Democratic Slovakia Movement.

[Rychetsky] We still lack sufficient information about the Movement For a Democratic Slovakia, its structure and program. We only know some statements among which the proclamations, such as "We are sick and tired of the Czechs, we want a confederation," were a complete shock to me because I used to know Mr. Meciar as one of Slovakia's most outstanding political personalities; in those days he unambiguously supported the federation. However, I am convinced that persons whom I used to know, for instance, Mr. Filkus, are individuals whose concepts for the future of this country are quite similar to the concepts of the Civic Movement.

[Olach] I cannot avoid mentioning your statement about the Gabcikovo waterworks—namely, that its launching was a crime—which jarred many Slovak ears.

[Rychetsky] I would appreciate it if you would write in your paper that it happened when I was going from one meeting to another and a microphone was put before me. My view is a citizen's opinion because I am not acquainted with the details of that particular problem. However, I think that the decision of the past regime to build that project in its original design was poorly conceived. The only acceptable solution at this juncture is to obtain a reliable analysis from independent experts, not whether Gabcikovo should or should not be completed, because it already exists, but rather how to finish its construction so that it will become lucrative and cause minimal ecological damage.

[Olach] Some time has passed since you and the Civic Movement visited Slovakia. What conclusions have you personally drawn about the most pressing issues of the co-existence of both our republics?

[Rychetsky] My contacts prompted the conviction that our common future will depend on the wisdom and

foresight of Slovak citizens. I am certain that an overwhelming majority of Slovakia's citizens know that as a state with a population of 15 million we shall have far better chances to defend ourselves against external and internal danger. Therefore, I bet most of all on the citizens of Slovakia and I would be delighted if I could say the same about the citizens of Bohemia and Moravia. There we still have much to do because the information media and certain political parties, one may say, are cultivating and fomenting the process of divergence and distrust toward our Slovak friends. But the Czech citizen also is wise, and should the referendum in fact make such a fateful decision, it would reveal that a whole lot of politicians have deviated from what is the will of our citizens.

### Miklosko Talks About His Life, Political Role

92CH0029A Bratislava NARODNA OBRODA in Slovak  
25 Sep 91 p 9

[Interview with Frantisek Miklosko, Slovak National Council chairman, by Julius Gembicka and Alena Melicharkova; place and date not given: "Historical Moment Repeats Itself for the Third Time"—first paragraph is NARODNA OBRODA introduction]

[Text] Our readers will certainly agree with us that this is one of the most important personalities in Public Against Violence [VPN]. Even though to this day the public is arguing whether he is a true VPN believer, particularly in connection with his activities in the secret church during the days of dissent.

[NARODNA OBRODA] Your activities during the past 20 years are still hidden under a cloak of mystery. People began to have a livelier interest in you when you were arrested in 1988 as one the organizers of the candle demonstration. Can you throw some light on your activities in the dissident movement?

[Miklosko] At the beginning of the 1960's, people who were imprisoned during the 1950's for—according to the then regime—excessive religious fervor, were coming back from prisons. Among them was the then Cardinal Korec, S. Krcmery, and V. Jukl. They found to their horror that religion in Slovakia was totally decimated, that churches were attended only by old women. Their idea was to go among the college educated, form small groups which would meet once a week, read the Bible, the Scriptures, and think. I, too, found myself in such a group at Komensky University. Then came normalization, and severe persecution of priests for such work with young people. It became necessary to go underground. We began with a small, modest buildup of associations. We were successful mainly among the technical and natural science professions. It was more difficult with the humanities. I worked at the Institute for Technical Cybernetics, where the leaders were reasonable people. My first difficulties came about when I organized exhibitions of banned artists in 1979, and only later because of my activities in the secret church. We gradually began

to publish samizdats, secretly print books. We were helped in their distribution by college graduates, who went out from the groups all across Slovakia.

[NARODNA OBRODA] People are saying that you left the seminary just before being ordained....

[Miklosko] Our group—Korec, Jukl, Krcmery—called Association for Topical Services, was actually something like a parachute unit which always jumped into topical problems. The church is somewhat conservative, ponderous, it measures time in centuries, and so it often misses very topical problems. We used to send reports to the Voice of America, Radio Free Europe, and we published samizdats. We published the journal NABOZENSTVO A SUCASNOST together with Jan Carnogursky and Martin Lauko. After five years our editorial group disbanded, and J. Carnogursky began to publish BRATISLAVSKE LISTY; M. Lauko HLAS SLOVENSKA, there was Simecek's journal FRAGMENT K and PASTIER. I wrote contributions for these journals, but my main work was organizing young people. It is true that out of the mentioned association came also priests, who secretly finished their studies and were ordained. But I remained free.

[NARODNA OBRODA] When the movement Public Against Violence began to be formed, naturally the Christian dissidents also became a part of it. But in March, the Christian Democratic Movement [KDH] was established. All indications were that you would be among its founders. In spite of that, you remained with VPN.

[Miklosko] Originally I did not intend to go into politics, I wanted to return to my work with young people. Therefore, when J. Carnogursky came back from prison, I said that I will remain in VPN for the time being, so that believers, too, would have their people there or their interests would not be forgotten. It was a kind of a natural community of people, which appeared to me to be very good. Unfortunately, from the very beginning we suspected that it was starting to disintegrate. We realized it during meetings sometime in February. Then came the Budaj problem together with his speech in the parliament. We practically stopped meeting, because it began to be something of a power leadership. When we agreed on something, it was changed the next day. It became clear before the elections that KDH with its representative base will have the decisive voice. We did not expect that the old parties—freedom, revival, compromised both internally and externally—will put up much of a fight. That left the Communist Party. Even though many wanted to leave VPN to return to their prior work, they knew it was not the time to do it, because the populace would actually have nobody to vote for, if they were not to vote for the Communists. And because of this unwanted coincidence I, too, stayed. After the elections there was a struggle between VPN and KDH about who will be the chairman of the parliament. I was acceptable to both sides.

[NARODNA OBRODA] It is said that VPN is a group of intellectuals, whose lack of success stems from the fact that they shut the door behind them on Venturska Street and lost touch with ordinary people.

[Miklosko] Sometime at the beginning of 1990, I was returning, together with Janko Budaj, from a visit to Bishop Korec. I remember remarking to him that if we do not come up with a national program, we are finished. Unfortunately, we did not grasp this dimension sufficiently. The VPN meetings ended and assemblies of the Slovak National Council began. Perhaps it was also because the VPN people tended to be more Europe-oriented. At the same time it was clear to us that the changes which will have to be made will not be very popular. They will lead to a situation that will bring about a worsening of the economic and social conditions, and will cause uncertainties. In fact, how could have VPN stayed with the masses anyway? Only through some demagoguery. For example, by looking for an enemy. That would have meant a strong anticomunist crusade or a struggle against some Prague-centrism. And there is the question whether that is the way we should go through the period which we must go through, whether we want to or not.

[NARODNA OBRODA] Is this not by any chance also the source of the first serious dissensions and subsequent split in the VPN?

[Miklosko] I remember discussions about the economic reform, when everyone with the prime minister in the lead was of the same mind. Meciar, Kucerak, and Kovac were drafting laws on powersharing, which they later pushed through in the Federal Assembly. They worked together. But the situation began to turn dramatic, prices and unemployment increased dangerously. A sharp confrontation occurred between Kucerak and the others. In vain did some economists claim that the situation will stabilize. The victor was fear that unemployment will get out of hand, that enormous social difficulties will develop, and that they will be blamed for it. That is precisely why I think that somebody would like to return to the government, because he suspects that things are not that bad. But it was also a matter of personal disputes. For me, there is no end that would justify the means. If I find that somebody uses any kind of means to maintain his power, that is the end of my cooperation with him. As far as I am concerned, the case of the list of so-called State Security collaborators and how it was manipulated has not been closed yet. It was known that 15,000 files disappeared. I assumed that State Security or KGB were behind it. It did not occur to me that it could be much simpler, but that is a much more insidious game.

[NARODNA OBRODA] A part of the public was dissatisfied with the procedure used to recall Mr. Meciar. Some do not understand to this day why he was not given the opportunity to speak to the plenum, why everything took place in the presidium of the Slovak National Council?

[Miklosko] The answer is very simple. The presidium, after three days of investigations, arrived at the decision to recall Prime Minister Meciar. The presidium has 21 members, the plenum is made up of 150 deputies. Those who visit the parliament know that the resolution of this problem would have stretched out over three months. That was not possible. The government ceased to function, for a month and a half the Slovak National Council did not receive any draft law because the government was paralyzed. Its sessions turned into clashes, it was impossible to agree on any resolution. And so it became necessary to make a quick decision. With all its attendant responsibility. When the presidium recalled the prime minister and named another one, Vladimir Meciar became a citizen like any other, and his political role was only in the Federal Assembly. The presidium has the authority it has. It has it for a reason. In serious situations it must be flexible. The decision was made, and I cannot imagine what good it would have done for the ex-prime minister to speak in the plenum; that would have been more or less politically passe.

[NARODNA OBRODA] While during the elections VPN was a movement that held within it many well-known political personalities, they gradually left the civic movement and today there are precious few of them left there. What is your opinion of the effort to make VPN a rightist party? Mr. Gal, for example, can hardly be characterized as completely rightist.

[Miklosko] Yes. And this in fact has been to some degree a source of the tension in VPN. Until the departure of Mr. Gal it was a movement of many characteristics. After his departure came Mr. Kucerak, and it was as if VPN needed to catch a second breath. The new chairman's aim was to make the movement a rightist party that will speak to entrepreneurs and will push through market economy. After Mr. Klaus' right-oriented party began to reap successes in Bohemia, an example for creating something similar in Slovakia began to take shape. Some people saw it as salvation, some felt ambushed. In its way, conservative Slovakia is more socially oriented, it sees in the word "right" a certain cold-blooded economic liberalism, and it is afraid of it. I do not hold it against Mr. Kucerak that he made that decision. It is his personal, inner conviction, and he was placed at the head of the movement at a time when it was necessary to find—let's call it—the ideology of the movement.

[NARODNA OBRODA] But how do you identify with it?

[Miklosko] If VPN were to become a party, it would put me for the first time in a great predicament, when I would have to answer to myself whether I belong to some party or not. If I were to react as an ordinary person, I would say that the word "right" conjures up in me thoughts of the West's cold pragmatism which is not too close to my way of thinking. It seems to me that Slovakia

is different and that it travels a somewhat different road than the West. The word "right" does not say very much to me.

[NARODNA OBRODA] It is often said quite openly, precisely in connection with you, that you are not standing that firmly in VPN, but that you are inclined toward KDH, that you are something of a Trojan horse in VPN.

[Miklosko] Look, I have lived for 20 years with the people who are in KDH today. They are dispersed all over Slovakia. It means that wherever I go, I am at home. Let's say that in that respect I belong to KDH. Moreover, during the past 10 years I have been in touch with the present prime minister on a daily basis. A certain friendship has been formed. On the other hand, the liberal atmosphere in VPN on the whole suits me. So far, I have not seen any conflict in that. Rather, I think that in certain situations it could be a bridge to help the coalition find a common language. Although I do not think that it would be just my person, that would be too pompous.

[NARODNA OBRODA] We are standing at the cross-roads of history, when it is necessary to decide the question of the state structure. It seems that in you, too, something undefinable is changing in your relations to the original views of the VPN. What are your views?

[Miklosko] I don't deny that I have harbored nationalist sentiments since childhood. They have been inculcated in me through my family, and also because of the fact that religious groups were actually also nationalist groups. After all, "*Kto za pravdu hori*" ["Who is burning with fervor for truth"] was heard for the first time at a pilgrimage in Nitra. Security arrested the boys from Kmetov, because they were carrying the Slovak standard at this pilgrimage. For God and Nation, the slogan which was coined after the Cernov tragedy, was in fact the axis of Christian movements throughout this century. I cannot and do not want to obliterate that in myself. At the moment when I would have to disown it, I would prefer to step aside. Several months of a higher salary or position are not worth a feeling of being guilty of betrayal. A majority of the populace in the Slovak Republic do not wish to break up the republic right now, but a majority is also in favor of declaring sovereignty. It is, at first glance, a contradiction, because sovereignty means independence. To my mind we now have a situation when the Czech side must understand that this state is formed differently than they conceive it. The basis of the state is the two sovereign republics which voluntarily decided to continue a life together. This, to me, is a kind of threshold. If we neglect to do something about it now, I have to say quite frankly that Slovakia will be threatened with a kind of political assimilation. In the political integration of Europe, where it cannot be ruled out that states will enter, Slovakia, held in the pitiless embrace of Western economy and economic relations, would in the end be politically assimilated.

[NARODNA OBRODA] Where can we find a workable solution?

[Miklosko] In creating such conditions for the coexistence of both republics in which it will be stipulated not only declaratively but also legislatively that it will be a coexistence of an equal with an equal. That is, in a treaty between the Czech and the Slovak Republic that will put a nation of 10 million on the same level with a nation of 5 million. And I must also stress that Slovakia and the surrounding countries are interested in stability. On the other hand, we are mindful that Slovakia cannot think only of others, it has to think of herself as well. One must keep in mind the volatile situation in the countries to the east of us, and in that connection the intentions of their (for the time being) blusterers, who do not hesitate to express their aspirations to change the borders. We cannot take chances.

[NARODNA OBRODA] The opposition quite unequivocally stands on the national principle. It seems that in the coalition KDH has nationalism and emancipation quite deeply rooted, it only blocks itself by the need for patience, by waiting for the historic moment. Does a possibility exist to reconcile these two approaches?

[Miklosko] I have a feeling that a historic situation is being repeated in some way. In 1938 Slovakia felt that its historic mission must be fulfilled, and its political representatives felt it too. On the other hand, it became threatened. It was complicated also by the Czech political leadership's failure to understand Slovakia's 20-year struggle for autonomy. It happened at the moment when in October Benes and the government allowed autonomy to be instituted, and right on the heels of that on 8 March carried out a military occupation of Slovakia, and practically illegally arrested all deputies. Slovakia was threatened also by Hungary, Poland, and, of course, Germany. All Europe cringed before Hitler. Under such circumstances, the Slovak leadership did not have an easy task. It decided as it decided. The fateful step was Hitler's mediation, not even mentioning the consequences it brought. The result was disastrous. For the next 40 years Slovakia was thrashed for clerico-fascism. Everything that appeared to be nationalistic was called clerico-fascist. A similar situation occurred in 1968. The Czech side began to cast doubts on the federation process. First they spoke about democracy, then about federation. It ended in mediation again. This time Brezhnev's. Today, the inner state of mind is repeated for the third time. Slovakia has a strong tendency toward emancipation, danger looms from the side of the disintegrating eastern superpower, and Slovak independence would doubtless give impetus to Hungarian nationalism. It is again the Czech lack of understanding which we are experiencing at this time, very strongly and specifically. As long as I am in this position, I say that we must take that risk and go for it. In a way that will not bring with it the temptation to depend on something immoral and undemocratic.

#### KDH Official on Aspects of Slovak Sovereignty

92CH0002A Bratislava SLOVENSKY DENNIK  
in Slovak 14 Sep 91 p 5

[Article by Frantisek Braxator, member of Christian Democratic Movement Council: "Putting the Cards on the Table; Christian Democratic Strategy and Tactics in Slovak Statehood Issue"]

[Text] As far as I know there does not exist an official document from any body of the Slovak Christian Democratic Movement [KDH] in the matter which is the subject of this discourse. This however does not mean that within KDH there are no distinct opinions or at least roughly sketched notions on the question of strategy and tactics in regard to Slovak statehood.

As for the strategic goal, these views and notions are largely in agreement. The strategic goal is a Slovakia embedded in the mosaic of European states, with exactly the same independence and sovereignty as enjoyed by its neighbors. It is a Slovakia integrated into Europe directly, a Slovakia ceding to the integrating, supreme authority exactly no more of its powers than do the others. An independent but isolated, neutral, inward-looking Slovakia is not, as far as I know, desired by anyone in the movement. There is less agreement among views on how to attain this strategic goal, that is, views on what tactics to choose to accomplish the goal. One can discern the outlines of three tactical approaches. I would name them as follows: one, radical surgery; two, proceeding through confederation; three, the road of evolutionary federation.

#### The Radical Surgery Tactics

Advocates of the radical surgery tactics are close to the nationally oriented parties and movements, to promoters of the Declaration on Slovakia's Sovereignty and drafters of a so-called "pure" Constitution of the Slovak Republic. Their evaluation of the experience to date of living together with Czechs and of efforts to improve mutual relations is more negative than positive. From this they derive the conclusion that good-neighborly relations can be established only by a separation, while not excluding economic and political cooperation—on the contrary, this is assumed and expected.

The radical surgery tactic offers the advantage of a jump on time. The painful and sacrifice-demanding operation must be carried out forthwith and matters settled definitely, without prolonged waiting. The disadvantages of this tactic are its risks: That Slovakia may not be accepted, Slovak independence not recognized by other states leading to a temporary and perhaps long-term isolation and the risk of major economic losses which may hamper Slovakia's economic development for quite some time. Two factors constitute the political weakness of this tactic: Slovakia lacks the power to effect radical surgery in case the other partner would resist its realization. Thus it is not very likely that the tactic of radical surgery would in the present situation find the necessary

majority either in the Slovak parliament or the Slovak population in a referendum.

#### The Tactic of Proceeding Through Confederation

Its advocates have a number of partners on the Slovak political scene. One of them is HZDS [Movement For a Democratic Slovakia]. This visualizes approval of a "pure" constitution of the Slovak Republic, conclusion of a state (inter-state) treaty with the Czech partner and the creation of a new state form—a union of two states (*Staatenbund*). It calls for a departure from formalistic "constitutionality" and for the Czech partner's realistic approach to the new situation in East-Central Europe. The mutual relationship of both partners should be arranged already now in the form it will have in an integrated Europe. Advantages of this tactical variant: preservation of state continuity *pro foro externo*, a more likely acceptance of the new arrangement by neighbors and other European states, uninterrupted economic cooperation, though on a new basis.

Risks and disadvantages: A splintered Slovak political scene which complicates consensus on the content of the state treaty and the working of the SR [Slovak Republic] constitution especially where it bears upon the confederation; resistance of federal authorities whose survival would be substantially threatened; the Czech partner's lack of interest in such a solution; the negative influence of the time factor (association agreements and memberships of the present more or less unitary state will create a fait accompli, that is a situation that no one will be eager to change).

#### Evolutionary Federation

I define the third tactical variant as an evolutionary federation. It is a temporary federated common statehood which at the moment of entry into the European Community would transform itself into each partner's individual statehood, thus allowing everyone to pass through the "European gate" independently.

Advantages: Continuity, elimination of momentary shocks, willingness—seeming at least—of the Czech partner to accede to this solution.

The risks are great. First: Unless this procedure is fixed already at the time when association agreements and membership conditions are being settled, the European Community or another supranational integration grouping need not accept such a solution. Second: No one can foresee what the configuration of political forces in the country will be at the time when the integration process will be ripe for consummation—meaning around the year 2000. If at that point the Czech partner withholds assent to this procedure Slovakia will be left with no other option than isolating itself. It will land in the position which it would have reached by the variant of "radical surgery" but only a few years sooner. A subsequent move toward independence "out of necessity" would mean a great political and economic loss.

When choosing the appropriate tactic for achieving the strategic goal which is maximum sovereignty for Slovakia, one has to consider not only the situation in the movement and opinions of its membership but also—and this above all—the political situation in Slovakia, in Czechoslovakia, in Europe, and in the world.

From this perspective the first variant, "radical surgery," has small chances of success. Even if it gained majority support within the movement and from the Slovak population (especially as a consequence of the Czech partner's obstinacy and haughtiness) problems would arise with international recognition and acceptance into the world community. The case of Slovenia and especially Croatia is telling testimony to that. The failure of the European Community as a body assuring order and of the Conference on Security and Cooperation in Europe (which, let it be noted, has its secretariat in Prague) as a court of mediation furnishes evidence that there still remains a deep chasm between declaration of rights and their realization. And this is Europeans—not to mention the incomprehensible attitude of the United States. This tactic could possibly have a chance of success in the event that not the Slovak but the Czech Republic voted for separation in the referendum. But I do not believe that the Czech voter, in spite of threats of "let them go," would decide in favor of separation when the issue is actually put to him.

#### The Question of Slovak Consensus

As for the second variant, the tactic of proceeding through confederation, I do not dare estimate how many advocates it has in the movement. Personally I assume that it has more than the other two variants together. I also assume that it could obtain qualified majority in the Slovak parliament even in the present composition of the SNR [Slovak National Council]. The current political situation in Czechoslovakia is not yet ripe for it. KDH will face difficulties in trying to win over to this solution its two sister parties in the Czech Republic; the others may as well be written off. A change in the position of Czech parties and the Czech public may be expected only under concentrated pressure from a Slovakia politically united on this point. The cardinal question for a success of this tactic is the question of Slovak consensus. After overcoming resistance from the Czech side there is no need to fear the European and world situation in this matter. Europe and the world accept any arrangement that does not lead to destabilization. Internal relations within a two-state arrangement do not interest anyone in the world as long as they do not end up in bloody conflict. There is no need to harbor such fears about Czech-Slovak relations. A very important component of this tactical variant will be the state treaty which will regulate mutual relations between both members of the confederation. It must have the form of a treaty between two sovereign state units, that is, of an interstate treaty of an international character. It will be necessary to find a way to overcome false respect for formalistic constitutionality which will surely be easier for the Slovak side than the Czech one.

Only when the confederation is clearly defined it can hope to reap the advantages its advocates expect from it: admission of both republics to European supranational bodies at once, but as two entities. It will also be of importance to preserve a single economic area while however making it clear that each of the two republics has full authority to regulate its part of the common economic area.

I call the third tactical variant an evolutionary federation. Here too it is difficult to estimate how many supporters it has in the movement's base but it is certain that it has them in the top leadership. It involves going in common with the Czech Republic in an (improved) federation, up to a certain time limit. This approach is to be sanctioned by a treaty between both national councils, the content of which is so far rather unclear.

It seems that right now on the Slovak political scene it is rather more difficult to obtain the necessary majority for this approach than for the confederation variant. In the Czech Republic what irritates the unitarists and federalists is precisely the temporary prospect of a common road, slated to end the moment the country is accepted into the European Community. The advantages of this variant—after overcoming resistance from the Czech side—are evident: general continuity, a minimum of political and economic shocks, benign consent of Europe and the world.

#### Time Is Not Working for Us

First of all it is hazardous to imagine that the European Community will accept two states instead of one just like that, merely at Slovak request. What will be Slovakia's arguments in favor of such decision? For this tactical variant to be successful it would require from the very beginning negotiating this matter with supranational bodies of European and world integration, both political and economic! Is this being done? As far as is known, no! So what we have here is a degree of political amateurism. In such a case time will not work for Slovakia. On the contrary: the longer the waiting period for entry the less of a chance for Slovakia to obtain a solution in line with its ideas. Habits, stereotypes, traditions play a very important role in the international politics and interstate relations. Once something has become established and is taken for granted it is hard to change or correct.

For now several statements by its chairman have committed the Christian Democratic Movement of Slovakia to this third variant. It has not yet been worked out in detail and officially approved by a congress as the movement's supreme body. So far no one in the movement has come even close to declaring in favor of the other two tactical variants of the road to Slovak sovereignty. Thus it would do no harm if the council or its appropriate sections focus on this issue, consider the possible options and recommend to the congress that which is best and politically most advantageous.

If this discourse achieves at least this much it will have fulfilled its purpose.

#### Daily Claims Sovereignty in Federation Impossible

92CH0020A Bratislava PRACA in Slovak 21 Sep 91  
pp 1-2

[Article by Jergus Ferko: "Sovereignty and a Mess of Potage"]

[Text] Our foremost putschologists are in their element again. When the civic initiative For an Independent Slovakia was formed, they immediately had a comment on it: It seems that "dark forces" of totalitarianism are behind it, careerists, and State Security people! That is really amusing—after all, two of those sterling putschologists (one of them is, moreover, a sterling Marxist) are sitting in the Presidium of the Slovak National Council which recently subscribed to basically the same idea as this "fractionizing" initiative—the principle of Slovak sovereignty. The only difference is that the initiative calls for the declaration of sovereignty as quickly as possible.

The putschologists are therefore once again far out in left field, and the emotionally motivated "counterinitiative" For a Common State is making a similar mistake. They consider the effort to attain sovereignty a destruction of the common state. Permit me to insist on something else—that if the proclamation of sovereignty is blocked, it will only lead to further radicalization of the situation and the deterioration of the already strained relations with Prague. If, on the contrary, sovereignty is proclaimed, I do not know which Slovak politicians would be able to create a state independent to the full meaning of the word, the idea of which obviously does not have the support of the majority of citizens. The problem lies in something else—Prague announced that it will not agree to a confederation. I would add to that: That is what it says now....

On Thursday there were two competing meetings in Bratislava, organized by both initiatives. About 2,000 people demonstrated on behalf of a common state, on behalf of sovereignty at least 10-times as many (CSTK [news agency] even estimated their number as 30,000). Speakers at the meeting of the second initiative (for a common state) mostly used as their arguments the need for a referendum and public opinion. But a mini-referendum was taking place at that very moment by the participation in the two meetings—and sovereignty won it at least 10-1. According to the latest official public opinion poll, 8 percent of Slovak voters are in favor of a confederation, and 18 percent for an independent Slovak republic. Together they make up 26 percent of unequivocal advocates of sovereignty. As many as 50 percent of citizens are in favor of a federation based on constitutions of two sovereign, equal republics. The point is that this is an illusion arising from ignorance—in a federation republics are neither sovereign (sovereignty is indivisible and belongs to the federation) nor equal (in the case of the CSFR it is obviously a union of an equal with one that is more equal). It can be assumed, therefore, that

most of those 50 percent would also favor sovereignty—because those who are satisfied with the status quo, that is, with a “nonsovereign” Slovakia, placed themselves in another category in the poll: a unitary state was favored by 11 percent, and federation as it has been until now, 8 percent. It can therefore be quite correctly estimated that two-thirds of the Slovak populace is in favor of sovereignty. The numerical ratio at the two Thursday meetings also indicated that this number could be even higher.

The opposition and independent intellectuals are obviously way ahead on the strategic question of sovereignty. Literally—initiative is in the hands of the initiative, which also gives a rather poor mark to the conceptual work of the government and the parliament. And at the same time it indicates that the last word in the national and democratic revolution has not been said yet by any means. It also leads up to the next public opinion poll, according to which roughly two-thirds of Slovak voters do not trust (or do not quite trust)—the federal government (72 percent), Federal Assembly (69 percent), Slovak government (62 percent), and Slovak National Council (69 percent). Two-thirds of distrustful voters—and also two-thirds of voters in favor of Slovak sovereignty: is this purely a coincidence?

The Slovak government coalition at long last (after a protracted and never-ending tug-of-war about power-sharing) realized that it must grasp the hot potato of sovereignty (it decided to go ahead, even despite a strong Czech headwind) and now it is confusedly tossing it back and forth, as if it were alarmed by its own audacity and did not know what to do next. Now it would like to, now it is afraid, now mother (federation) does not allow it.... This scission is particularly characteristic of the Christian Democratic Movement [KDH] leadership. But it is most visible in the Slovak Prime Minister Jan Carnogursky, who is a known advocate of an “independent chair,” but only later—now he is playing his great waiting game. He is maneuvering with all his might—and is getting entangled in the web of his own pronouncements. For example, in the Tuesday Radio Journal he announced that personally he considers Slovakia sovereign even now (blessed be those who believe it...). And the very same day, together with his similarly schizophrenic friend and brother-in-guile F. Miklosko, he demanded on the pages of newspapers his constitutional rights against somebody truly sovereign—against the federal ministry of foreign affairs, which is shamelessly putting Slovakia through some kind of latter-day “Prague Munich”: about us without us. J. Carnogusky’s tactics of tacking back and forth did not even escape the attention of the Czech press. ZEMEDELSKE NOVINY expressed it very aptly: “The Slovak prime minister is trying to stop a moving train which he himself helped to load.”

The legislative council of the Slovak Republic government designated the call of the initiative For a Sovereign Slovakia unconstitutional. But so was November 1989 unconstitutional, and unconstitutional will be also the planned law banning draft; and more similar examples

could be found. It is a similar situation with the question of the referendum, which after November 1989 was somehow not needed by anybody “on top.” Why was a referendum not carried out at least on such weighty matters as were and are the basic parameters of the economic reform, principles of privatization, restitution, or the language law? Did deputies have a mandate to resolve these issues? If yes, then why would they not have it to proclaim sovereignty—after all, the Slovak National Council was elected as a legislative assembly! And even in spite of that, the advocates of sovereignty do not object in principle to the referendum which is being foisted upon them. However, it must not be manipulated by the nonsensicality of the question asked, or by the (non)objectivity of television, which will obviously play a key role.

Declaration of sovereignty by a democratically elected parliament would be in full accord with international law, according to which no outsider should interfere in a nation’s right to self-determination. Not even a farmer goes to ask a neighbor whether he may milk his own goat. But in play is also the mess of potage for which Slovakia should sell its sovereignty. In that bowl of potage there are already many things—from a silken cord to blackmail and inducement of fear of the future. I am not afraid of the future, but of something else—precisely of that mess of false potage. Slovak history tells us what it is all about.

### **Minister Explains Pensions, New Financing Methods**

*92CH0007A Prague HOSPODARSKE NOVINY  
in Czech 18 Sep 91 p 8*

[Article by Petr Miller, minister of labor and social security: “Pensions and New Methods of Financing Them”]

[Text] In accord with the program of social reform, a new concept of social security has been drafted. After discussions in the Council of Economic and Social Accord, and the governments of the Czech and Slovak Republics, it was approved by the CSFR Government.

Its basis will be a uniform system of social security for all the people living in CSFR, with the possibility for individual or group initiatives by means of supplementary insurance. In contrast to the present system, the new system will include not only pensions but also health insurance.

The main goal of the pension increases implemented this year was to moderate the decline in the purchasing power of the pensions, and thus also the impact of the economic reform on the recipients of social security benefits. Now we are preparing pension increases for 1992, which should be differentiated according to when the pensions were granted, in such a way that the problem of differences in pensions granted in different periods could be considered resolved. The equalization, or at least maximum reduction, of these differences

could then create conditions for regular adjustments of all pensions according to changes in living costs and wages.

The pension increases implemented thus far mean that in spite of the great increase in living costs (in pensioners' households by 53 percent since July 1990) the purchasing power of the average pension has declined only 20 percent. The adjustment of pensions on 1 March 1991 reduced the difference between pensions granted in 1967 and in 1990 to 114 korunas [Kcs] from the original Kcs290.

#### Transitional Period

It became necessary already in the beginning phase of the economic reform to achieve a uniform system of social security. This was partially achieved by the passage of Law No. 110/1990. Another measure that is being considered is the proposal to abolish the presently applicable preferential treatment of some work categories in determining pensions. The existence of this practice means that some categories of workers are given preferential treatment by being given larger pensions and by the application of different conditions for awarding the pensions. Moreover, such preferential treatment must be paid for by all working people. Giving preferential treatment to some at the expense of others would have a particularly negative effect under the new system of social security financing. The entitlements already established should be temporarily retained, with the proviso that they would be paid within the framework of supplementary insurance by the organizations where working conditions are harder. In addition to these partial adjustments, a proposal is being drafted for a completely fundamental change of the current situation—a proposal for a new system of social security financing, the implementation of which is a necessary precondition for the transition to a new social security system.

#### Basic Principles

The current system of social security financing by means of the state budget has led over a long period to a "remainder approach" to allocating financial resources. For that reason, an integral part of the reform should be to take the financing of social security out of the state budget and to establish a social security fund. An essential condition for its functioning is a single social security fund for the entire federation.

The economic situation does not make possible an immediate transition to a purely insurance-type system of financing on the principle of capital surplus, or a return to the former assets of the liquidated insurance companies. Best suited to this situation is a combined system of current funding from contributions of participating entities and pure insurance. In this type of funding, the benefits in a given year are financed from contributions collected in that year. A principle of intergenerational solidarity is thus applied, when the younger generation of active people defrays the pensions of the

older generation. A certain capital contingency fund could be created within the framework of this financing system, to be used in the future to defray any possible unexpected and harmful effects of evolving economic conditions or demographic fluctuations, and which could also assist the continued development of the system. But the creation of such a capital contingency fund is a question far into the future. At present, the contributions of employers and employees to the fund, which could cover the costs of the current social security system, are quite high, according to the calculations of the Federal Ministry of Labor and Social Security (roughly 30 percent of wage, of which the employee should pay about one third).

#### How To Reduce Costs

There are two possibilities: Either reduce social security benefits or make the conditions for social security entitlement stricter. We ruled out the first possibility; the approved concept even laid down the principle that benefits calculated by the new method must not be, in the main, lower than benefits calculated by the currently valid rules. Therefore, it leaves the second possibility, i.e., making the conditions for entitlement to both health and pension insurance benefits stricter.

For health insurance, a new method is being proposed for compensating workers by a sickness allowance paid by the employer for lost wages for the first four weeks when they are unable to work.

Introduction of this measure even before the passage of the law on social security seems to be necessary. Lately, and particularly in 1990 and 1991, the duration of individual cases of inability to work lengthened and especially their numbers grew. According to experiences abroad, it can be expected that in connection with the restructuring of our economy and its transition to a market mechanism, the cases of inability to work, caused, among other things, by uncertainty in legal relations in the workplace, will increase. A serious danger is also the possible misuse of health insurance funds in case of financial problems in enterprises which could try to save the cost of wages by drawing on monies designated for health insurance.

The conditions for claiming pension benefits must be made stricter as well, particularly conditions for entitlement to old-age pensions, although to widows' and disability pensions as well. There will be a new definition of disability as a condition for claiming a full disability pension, and in the future more levels of partial disability should be introduced. As far as the age limit as a condition for entitlement to old age pension is concerned, we propose to gradually make the age of retirement for women a uniform 57 years. This process should take place over several years, to be completed by the year 2000. During that period it is expected that there will be an increase in the ratio of senior citizens in the total population, which will necessarily lead to a steep increase of social security costs.

### **Calculating Pensions**

The social security system should be well prepared for this anticipated situation. According to the new concept, all citizens should be given the opportunity to decide, according to their individual possibilities and capabilities, to retire within a time-span of five years. During this period it would be possible to combine partial wages and partial pension in various ways, or to draw only wages and earn higher rates (percent) for future pensions. Basically, the principle pension-or-wage should be applied here.

The first step toward fulfilling this principle should be the measure, proposed in the law on changes in social security, to apply the rule pension-or-wage in the period between granting the pension and when the age of 65 for men and 60 for women is reached, and after that not to take wages into consideration any more. This measure was not approved during discussions in the Federal Assembly. I believe that from the perspective of future developments, particularly the increasing costs of social security, as well as from the short-term perspective, particularly the employment problems, this was an unnecessary mistake.

Another proposed fundamental change is a new method of calculating benefits. The structure of calculating benefits will have three components. The first component will be a uniform basic pension, the amount of which will be regularly adjusted to the increases in living expenses. The second component will be derived from the size of the wage and the number of years insurance contributions have been made, and it will thus reflect the life-long personal effort of the citizen. Its amount will be regularly adjusted to increases in the wage. In this component, too, the principle of social solidarity will be applied. Whereas the insurance payments will be paid according to the full amount of the income, for the purpose of calculating pensions the decisive criteria will be incomes limited by the established multiple of the nation-wide average wage in the national economy. This limiting factor should not affect more than 20 percent of people in the highest income bracket. The third component will consist of various supplementary payments, for example, the current supplementary payment for debility.

### **Possibilities for Supplemental Insurance**

The law on social security changes No. 306/1991 provides more possibilities for pension insurance with a commercial insurance company, to which the employee can also contribute. In addition, a number of larger enterprises are showing interest in establishing their own insurance systems. I would consider it essential at this time to work out some guidelines for these systems and establish a state monitoring and consulting agency which would supervise their establishment and subsequent operations. The supervision of these institutions is necessary primarily in order to see that they are solvent and that the insured have their claims guaranteed. Furthermore, transferability of the accrued claims between

individual systems must be guaranteed, so that they would not become a deterrent to the mobility of the work force.

### **Organizational Prerequisites**

The change of the financing system is closely connected with the change of the tax system, and could greatly influence the behavior of all economic entities as well as citizens. Because of that, it is necessary to introduce the new system of financing concurrently with the tax reform, i.e., in 1993.

One of the basic prerequisites for the proper functioning of the new financing system is its organizational structure. The social security fund will be managed by an agency composed of representatives of employees, the insured, pensioners, and state institutions. The fund will therefore have the character of a legal entity under public law, and will be an entirely autonomous institution, independent of state administration.

Such an institution must also have a network of local, highly professional agencies detached from state administration. The basis for establishing these agencies should be the system created according to law No. 180/1990 (of 4 May 1990). In question is the system of state agencies which would be easy to change into a system of funds. It would be shortsighted to reduce this well-functioning network only to start to build it up all over again shortly thereafter. However, for many reasons I do not consider it functional to combine them with the local agencies in order to strengthen their authority, particularly, however, because social security administrations will share in the social security fund which will not be a state fund, whereas local agencies will operate with local and state resources. However, according to the passed law on power-sharing, the decision on the change of the character of this organizational structure is up to the republics.

### **Foreign Investment Types Discussed**

*92CH0007B Prague HOSPODARSKE NOVINY  
in Czech 19 Sep 91 p 3*

[Article by Helena Plandorova and Ladislav Minc: "On the Influx of Foreign Capital Into CSFR—Investors Like To Have Things Clear"]

[Text] The question of the influx of foreign capital into our economy is more than topical. Under current conditions, economic growth can be guaranteed primarily by new capital investments by foreign entities in the form of financial resources as well as manufacturing potential. From the point of view of foreign investors, the CSFR economy could be a good recipient of their investments for many reasons, but the current conditions for effective use of foreign capital are not considered to be the best.

First of all, let us look at some of the legal aspects. Basically, a foreign investor can engage in commercial activities in CSFR in four possible ways. If we leave

aside commercial activities according to public notice No. 265/1990 (on forming and operating commercial agencies of foreign nationals, which enables foreign nationals to carry out through these agencies also other commercial activities within the limits of the license granted by the Federal Ministry of Foreign Trade), and the exceptional form of commercial activity without the possibility of engaging in foreign trade and repatriation of profits, that is, commercial activity according to law No. 105/1990, then what is left is mainly the new way according to Law No. 92/1991 on conditions for transferring state property to other entities; this makes it possible, in connection with the privatization, to combine state assets with foreign capital. In this way, mixed companies are created by the purchase of part of the assets.

#### Joint Ventures in the Forefront

Nevertheless, until the summer of this year, the most frequent method of "penetration" by foreign investors has been the establishment of joint ventures, that is, commercial activity according to law No. 173/1988 on enterprises with foreign ownership participation in the wording of Law No. 112/1990. Every foreign legal entity or individual therefore has the possibility of establishing an enterprise with foreign ownership participation (ZMU), either exclusively by themselves or together with a Czechoslovak partner, while adhering to the conditions set forth by the appropriate law that defines the legal form.

A ZMU enterprise may participate in all spheres of economic activity, with the exception of areas important for the defense and security of the state. For some activities, however, appropriate licenses according to special regulations must be obtained. The established ZMU enterprise is a Czechoslovak legal entity, operating under Czechoslovak legal provisions, beginning with the tax laws and ending with the accounting regulations. From this it is obvious that legal provisions for activities by foreign investors are defined, but at the same time they are scattered among a multitude of regulations and confusing.

Let us now look at the category of ZMU enterprises in more detail. The basic framework for financial management of ZMU enterprises is the tax system. The difference from purely domestic enterprises is basically reflected only in a lower rate on the profit tax. ZMU enterprises pay income tax on profits according to law No. 157/189 in the wording of law No. 108/1990, that is, 20 percent on a base that does not exceed 200,000 korunas [Kcs], and 40 percent on the amount over Kcs200,000, but only if the share of the foreign partner of the initial capital amounts to more than 30 percent. If the share is less, the rate is the usual 55 percent. The law makes it possible to grant a newly or practically newly established organization a full or partial tax-exempt status, but at the most for two years after commencing operations. There is no reduction on the tax on wages, and where applicable, also on the sales tax, custom

charges, and import surcharges. Capital assets are depreciated according to the rules on depreciation.

According to the foreign exchange law, the foreign partner is fully entitled to repatriate his share of profits, and to transfer assets in cases determined by Law No. 113/1990 or by an inter-governmental agreement on the protection of investments. The general rate of tax on dividends is 25 percent (par. 12 of Law No. 389/1990), lower rates are paid if agreements on preventing double taxation have been concluded.

In connection with the tax system, some practical aspects must be pointed out that dampen the stimulation of foreign investments. First, the profit tax combined with the tax on wages (debited to costs) represent a relatively high burden. Second, the two-year tax exemption following the start of activities is not very significant, because in the initial phases of activities there are no or only small profits. Third, there are no legal provisions for obtaining even this two-year tax exemption, because granting it is dependent entirely on the subjective judgment of the appropriate agency (now the republic ministries of finance). Fourth, to date it has not been made possible to offset current losses by future profits. Fifth, the possibility of quick depreciation is not very significant, and sixth, there are no tax breaks for investments.

#### Obstacles

There are many problems connected with investments (imports of equipment and technology) and with tangible deposits in general. Tangible deposits by foreign investors to the basic assets in the form of machinery, equipment, etc., are subject to import duty, as well as to sales tax according to the prevailing tariff, which also causes purely technical complications in determining the value of such deposits. The cardinal problem is the question of evaluating the tangible deposits of the domestic participants. The joint-stock law requires that non-cash deposits be evaluated by a court expert; for other commercial companies there are no special regulations for evaluation and it can even be an agreement by the partnership. However, in all cases there applies the public notice of the Ministry of Finance of the Czech Republic (similarly, of the Ministry of Finance of the Slovak Republic) No. 589/1990, on the value of buildings, according to which the price during transfers of ownership to an enterprise with foreign participation is ascertained according to prices on foreign markets and then recalculated in Czechoslovak currency at the commercial exchange rate. This price is valid only after being approved by the Ministry of Finance.

In addition to the technical problem (no criteria exist, or tariff for determining this price; there are not enough qualified court experts available who are competent to carry out these evaluations) a number of economic problems develop. With the goal of preventing a "sell-off" of national property, there is an obvious effort on the Czechoslovak side to set the price of immovable assets, invested or for sale, as high as possible. Therefore,

the approved method for setting the price is to take into consideration not only the income value, which basically is the only one applied abroad, but also the technical value, which can make the final price higher. Of course, according to foreign practice, as long as a property does not yield profit, it has, to put it simply, zero value. Foreign participants therefore do not accept the high valuation of investments by Czechoslovak entities.

A problem for foreign investors in doing business in the CSFR is the solvency of the Czechoslovak partners. As long as it is a classic joint venture that is being established, there are usually no problems. In cases of joining an existing Czechoslovak enterprise, the usual condition is to wipe out the debt.

#### Comparison Suggests Much

Now let us consider the question of how many joint ventures have been established under the conditions described above. It must be emphasized that no comprehensive evidence exists in this matter. The number of issued licenses by the Federal Ministry of Finance [FMF] for establishing ZMU enterprises are, according to the information furnished by the Federal Statistical Office, almost double the number of ZMU enterprises with an assigned ID number, and the number of enterprises which began to exhibit actual business activity will certainly be even smaller. In any case, it is certain that the number of companies that have been actually established will differ markedly from the number of issued permits. In contrast, there will not be such a great difference in the volume of capital in view of the weight of ZMU enterprises with state participation, about which there is no doubt that they have been established, in the total capital. The numbers mentioned below must be understood as an outline of certain tendencies, not as absolutely valid data.

By 23 July 1991, there have been 2,937 licenses issued under the FMF licensing procedures for the establishment of ZMU enterprises with a total capital of Kcs26,357 million, of that the capital of foreign partners amounted to Kcs11,785 million, that is, 44.7 percent. This includes foreign capital which may have been deposited in foreign currency or korunas, or in the form of tangible or intangible investments.

Most of the mentioned companies (84 percent) are companies with initial capitalization of up to Kcs1 million, and of these almost half (1,187) are companies with a minimum initial capitalization in the mandatory amount of Kcs100,000. The share of initial capital of the mentioned 84 percent of small companies in the total capital amounts to a mere 2.5 percent, and the share of their foreign capital of the total foreign capital 4 percent, Kcs455 million in absolute terms.

This shows that many small entrepreneurs are coming to CSFR, who are establishing commercial companies largely with Czechoslovak private individuals. The purpose of their activity is mainly trade, consultancy, and agency. More than 75 percent of these small companies

specialize in the above mentioned activities. Most of them rely on the possibility of buying foreign exchange, not on accumulating it on their own.

This suggests comparison with enterprises with initial capitalization above Kcs100 million, of which, in contrast, three-fourth are engaged or intend to engage in production. Together, 22 of these large companies amount to less than 1 percent of the total number of joint ventures, but the share of their foreign capital in the total foreign capital is 80 percent, and the share of their initial capital even amounts to 84 percent of the total capital (Kcs21.3 billion in absolute terms). The largest companies are listed in the table.

**Six Largest Enterprises With Foreign Capital Participation**

| Rank | Name                        | Capital in Million Korunas | Country of Foreign Participant |
|------|-----------------------------|----------------------------|--------------------------------|
| 1.   | SKODA, a.s.                 | 9,642                      | FRG                            |
| 2.   | GLAVUNION, a.s.             | 1,907                      | Belgium                        |
| 3.   | LINDE TECHNOPLYN, a.s.      | 1,600                      | FRG                            |
| 4.   | EUROTEL Prague, Ltd.        | 1,133                      | Holland                        |
| 5.   | VOLKSWAGEN Bratislava, Ltd. | 1,098                      | FRG                            |
| 6.   | ALUMINIUM Decin, Ltd.       | 1,098                      | Switzerland                    |

In the middle entrepreneurial group, i.e., with initial capitalization of Kcs1-100 million, the FMF accommodated 438 applicants (15 percent of the total number of issued licenses). The total share of both the initial, as well as foreign, capital of this group in the total initial or foreign capital is commensurate—14 percent or 17 percent (average amount Kcs8.1 and 4.4 million). Most of these enterprises present a broad spectrum of activities in their plans. Business activity by 52 percent of the companies, services by 51 percent, and manufacturing or construction 48 percent.

The category of companies with state participation, which are being established by state enterprises or state joint-stock companies, deserves special attention. Although this category is small (374 companies, i.e., not quite 13 percent), their initial capitalization comes to a total of Kcs23,932 million, which represents 91 percent of the total initial capital of all joint ventures, and their share of foreign capital is 88 percent of the total foreign capital. In this important group are found large, medium, as well as small companies; moreover, it includes the key part of large companies (19 and 22), almost half (208) of all the medium companies, but also 146 small enterprises (6 percent of all small companies).

It is worth noting that in 16 instances state enterprises even established joint ventures with only the minimal initial capitalization of Kcs100,000. In such cases it was

mostly with other Czechoslovak participants—natural persons. The reason for establishing the mentioned companies obviously was, besides resolution of the employment problems, to “ensure” a foreign partner for future cooperation, to establish cells for future associated activities.

The ratio of total foreign capital to the total initial capital in companies with state participation is 43 percent; nevertheless, in the majority (67 percent) of these companies the foreign partner has a share in the basic assets of at least 50 percent. In 10 percent of the enterprises the amount of investment by the foreign partner does not exceed Kcs100,000, in 12 percent of the enterprises it exceeds Kcs10 million.

### Illustrious Names

Foreign companies with the greatest volume of invested capital are partners precisely in joint ventures with state participation. These are primarily the following companies: Volkswagen A.G. (FRG), Atlantic West B.V. (Holland), Line A.G. (FRG), Glaverbel S.A. (Belgium), Bighten & Co. Ltd. (United States), Alusuisse-Lonza Holding A.G. (Switzerland), Otis Elevator Company (United States), Lucas Automotive Ltd. (Great Britain), Siemens A.G. (FRG).

Special mention should be made of enterprises with exclusively foreign capital (there are 799), that is, 27 percent of the total number. The share of their initial capitalization represents only 3 percent of the total foreign capital, and only 1.4 percent of the total initial capital of all joint ventures. At the same time, the initial capitalization of 499 of 799 companies amounts to only the required minimum of Kcs100,000. This form is used mostly to establish branches of foreign companies, but among the mentioned number there are also companies of which the founder is a single natural person. That alone speaks about the quality, importance, and objectives of the mentioned companies. The capital of such companies comes mostly from Austria (in 34 percent of such instances) and FRG (30 percent).

The data base, created on the basis of issued licenses, also indicates the flow of the foreign capital. Foremost, as far as the number of joint ventures is concerned, are FRG (873 enterprises), Austria (833), Switzerland (201), Italy (137), United States (133), Great Britain (93), Holland (92), Sweden (83), France (72), and Hungary (68). Altogether 66 countries are involved. Interesting is the total number of ZMU enterprises according to individual territories of economic regions: EEC—1,366, EFTA—1,149, former CEMA including Yugoslavia—225, rest of Europe including Turkey and Israel—19, North America (Canada and the United States)—184, Arab and Asian nonsocialist countries—52, and in the rest of the world 36 companies. In the quoted statistic of the number of enterprises some companies are included more than once, because there are 122 joint ventures in which foreign partners from two or more countries have a share of assets.

### FRG in First Place

A different picture is presented by the statistics of capital investments by individual countries. In the first place is FRG with a capital of Kcs5,719 million, then the United States (1,217 million), Netherlands (911 million), Belgium (853 million), Austria (833 million), and Switzerland (754 million). A comparison of the number of enterprises and total capital investments shows, among other things, that the otherwise numerous foreign participants from Austria engage mostly in small businesses. Although an enterprise with an Austrian participant averages about Kcs1 million, we actually cannot find among the foreign companies which invested at least Kcs100 million in joint ventures a single Austrian company. The opposite is true of Holland and Belgium. From an analysis of the various regions it can be seen that EEC countries share in enterprises whose total initial capitalization is Kcs21 billion, EFTA countries somewhat less than 4 billion, and North America Kcs2 billion. In the total foreign capital of all ZMU enterprises the sum total of the share of partners from EEC countries amounts to 73 percent, from EFTA countries 15 percent, from North America 11 percent, and from the rest of the regions 1 percent.

Interesting is the ratio between joint ventures with headquarters in the Czech and the Slovak Republic. Of the total number of ZMU enterprises 77 percent are in the Czech Republic, and 23 percent in the Slovak Republic (which corresponds to 86 percent or 82 percent of the sum total of foreign capital). Of the large enterprises with initial capitalization over Kcs1 billion, VOLKSWAGEN Bratislava was the only company established in Slovakia.

### How Many Firms Are Active?

The year's experience with the influx of foreign capital into the CSFR economy does not give us reason to be too optimistic. The number of actually established and active companies amounts to approximately 1,500. The capital of foreign partners does not express input of foreign exchange, because especially in the case of small companies the share of foreign partners was deposited in korunas. Moreover, not even in registered firms do foreign partners pay the issued capital in foreign exchange within the prescribed time limits.

Of fundamental importance for further steps in the economic reform is the answer to the following three questions:

1. Is there really interest in the influx of foreign capital?
2. Is it necessary to direct it to sectors and regions?
3. Who should be its bearer?

The answer to these questions must be clearly formulated in legal norms. In the future it will not be possible to continue the individual evaluation and approval of individual cases concerning the establishment or financial management of ZMU companies. Interest in the

influx of foreign capital should be reflected in the resolution of financial issues, particularly the tax issues, while maintaining the principle of neutrality and equal conditions.

In this connection it is necessary to ponder the need to prepare the so-called negative list. Thus far, foreign capital is undesirable only in the strategic sectors connected with the defense of the state. After placement on the negative list, the next step would be to apply primarily economic criteria. This concerns, above all, the extent of the exploitation of Czechoslovak economy and the export of capital from the CSFR. A classic case are the facilities for tourist trade, hotels, and casinos. The construction of hotels is done with a negligible capital input in relation to the budgeted cost of the construction, that is, practically all on credit (usually foreign, at that), which increases the indebtedness of the Czechoslovak

state. The majority share of the foreign partner in the invested capital then means high transfer of capital abroad after the credit is paid up. And it is also no small matter that the foreign partner could be also the investor, thus realizing profit on the construction itself.

Also relevant is the evaluation of the question of the legal form and amount of the initial capitalization. First of all, if prosperous companies are to be established, their capital cannot amount only to Kcs100,000. It would be useful to differentiate, as far as capital is concerned, joint stock companies and limited liabilities companies.

From what has been said above it is clear that there are many tasks to be undertaken. But the most important thing is to do away with the bureaucratic approach, and provide a clear and unequivocal climate for foreign investments.

**MSZOSZ Seeks Ties With European Parliament**  
92CH0022B Budapest NEPSZABADSAG in Hungarian  
14 Sep 91 p 3

[Article by Attila Seres including unattributed interview with Sandor Nagy, head of National Federation of Hungarian Trade Unions: "Sandor Nagy at the European Parliament"]

[Text] A reporter of ours who traveled to Strasbourg on the occasion of Prime Minister Jozsef Antall's visit met Sandor Nagy in the European Parliament building. He inquired, of course, what the MSZOSZ [National Federation of Hungarian Trade Unions] was doing in the Europe Palace.

[Nagy] I have written letters to a few officials of the European Parliament a few months ago, detailing the grave economic and social situation of Hungary. I described to them that this was not a Hungarian specialty and that it amounted to a crisis that struck the entire region. I did not keep it a secret that at the time the political transition took place, responsible governmental factors in Europe promised more than what they have delivered thus far, even though we did not agree with the idea that Hungary's indebtedness should be forgiven. This is not feasible from an economic or financial standpoint. But Hungary could be helped in a number of ways even if we disregarded the issue of indebtedness. I have in mind here above all the problem of contingents and protective tariffs, and the exploration of opportunities for real integration.

[NEPSZABADSAG] Do you expect to see specific results?

[Nagy] I do. We agreed that we will get in touch with the information division of the European Parliament and that we will receive information from that division on a regular basis concerning decisions made by the European Parliament, which have social implications. The organization is also prepared to provide practical assistance, for example, in the framework of trade union education. I expressed a need for such support not only on behalf of MSZOSZ, but also the rest of the Hungarian trade unions.

**Official on Trade Relations With CSFR, Poland**  
92CH0064A Budapest FIGYELO in Hungarian  
19 Sep 91 p 14

[Interview with Peter Balazs, Ministry of International Economic Relations division director, by Robert Becsky; place and date not given: "We Must Also Open Up Among Ourselves"]

[Text] The number of news reports concerning dialogue between the three Central-East European countries always increases when some Common Market decision or political event adversely affects the three countries intending to become associated with the Common Market. Not much has taken place since the political

intent to establish a free trade zone involving Hungary, the Czech and Slovak Republic and Poland was declared at Visegrad, however. We asked NGKM [Ministry of International Economic Relations] Division Director Peter Balazs to discuss this matter.

[Balazs] Exploratory talks concerning a free trade zone comprised of the three countries has already begun at the expert level. The purpose of these talks is to enable each of the three countries to develop negotiating positions on the basis of which the respective governments are able to authorize negotiations.

[Becsky] Aside from many doubts about the feasibility and utility of establishing a free trade zone involving the three countries, experts also talk about the possible mixture of a free trade agreement and a customs union.

[Balazs] As defined by GATT, free trade is the true yardstick, the real criterion if you will, for a market economy. It presumes liberalized, open economies based largely on private ownership and on enterprises free to make independent decisions. This is so because after doing away with customs duties, and after getting rid of fees and quantitative import restrictions which present the same burden as customs duties, the movement of goods between the three countries would take place under the same conditions as the movement of goods of domestic manufacture within the manufacturing country. But rules of competition also affect the so-called second line of defense which includes state orders, state subsidies and the protection of the intellectual property of a given country. This represents a tall order, considering the developmental level of market economies in the three countries. In contrast, a customs union could come about after the establishment of free trade, and would require conditions in which the respective economies were not only mutually open, but would also pursue common trade policies and would outwardly manifest a unified trade barrier in the form of customs duties.

[Becsky] These countries never formed a natural economic region because their mutual trade always amounted to only a small fraction of each country's respective total trade. What then supports the idea of establishing a free trade zone?

[Balazs] It is indeed true that these countries have been linked to larger economic regions for centuries. After the war they were on the Western peripheries of the Soviet Union, and now they find themselves on the Eastern edge of the Western integration. But one way or another, these three countries will soon become associated with the ECC and the EFTA [European Free Trade Association]. Replacing their previous, nonmarket-type preferential systems with mutual trade barriers in the form of customs duties higher than those applied against their Western trading partners would make no sense. It is equally true that significant differences exist among the three countries insofar as the method of privatization, and the forms and pace of liberalizing foreign trade are

concerned. The differences appear as pronounced particularly if one takes a close look at them. But if viewed from a certain distance, the way the West sees us, one notices similarities rather than differences. By no coincidence, the West deals with the three countries jointly not only from the political transition standpoint, but also from the perspective of economic transition. Accordingly, we must recognize the fact that if the three of us open up to the West, we must also open up among ourselves. I should note here that in terms of priorities we must first consummate the EC and EFTA agreements; only on the basis of such agreements should we start negotiating the dismantling of mutual customs barriers.

[Becsny] In a manner similar to the way this is done within the EC and EFTA?

[Balazs] Customs barriers involving industrial goods vis-a-vis the West would be dismantled on an asymmetric basis; industry branches unable to compete should temporarily be protected from imports. Temporary protection should also be afforded to industries in the developmental stage, or to industries which previously produced for the Soviet market and need support while switching markets. The latter situation is unique in Central-East Europe. But customs barriers must be dismantled on a symmetrical basis between Poland, the Czech and Slovak Republics, and Hungary; none of these countries should demand unilateral advantages from another.

[Becsny] And how could these countries expand the free-import system being built with the EC and EFTA so that it also applied to themselves?

[Balazs] Here, too, we have a dual task, the economies must be liberalized while being protected. Initiatives must be made in fields where either no domestic production exists, or where the given field is capable of competing. But branches of industry and regions not prepared to compete must not be suddenly exposed to the most keen competition. Liberalizing efforts are beneficial only if, in general, initiatives are made with due regard to protecting employment at sensitive points. Since the trade volume between these countries is small, and since also their respective developmental levels are similar, an opening which does not create unbearable competition would be beneficial.

[Becsny] One could argue against this by claiming that an awful lot of parallel developmental projects had been implemented. Not to mention the fact that these three countries are in the process of establishing customs barriers against each other. The 3 September issue of KULKERESKEDELMI TAJEKOZTATO [Foreign Trade Bulletin] reported about newly established Polish tariffs which in many instances amount to 30 percent.

[Balazs] Indeed, parallel capacities, divergent customs duties and state subsidies are the greatest obstacles to free trade. But there are other ways in which a country's domestic industry can be protected. Effective protection

from harmful imports could be achieved even along with liberalized imports, by enforcing antidumping rules, measures designed to prevent market disturbances, etc.

[Becsny] The so-called country of origin rules are essential parts of free trade agreements. These pertain to the products of countries which should receive preferential treatment. I understand that the EC agreements of association would also extend preferential customs treatment to imports originating from these three countries.

[Balazs] Free trade agreements strictly define the kinds of products to which preferential tariffs apply. No country would permit a situation in which all kinds of goods flowed in from an alien [third] country based on an agreement reached with an important trading partner. This is why the country of origin documentation is governed by strict rules. As of now, most of this documentation complies with EC requirements pertaining to country of origin; goods are considered to be of EC origin if proven that more than half the value had been contributed by countries associated with the EC. In view of the expanded international cooperation it is difficult, of course, to apply the rules of cumulative origin, so-called. Even in trade between the EC countries goods are considered of EC origin only if the physical component parts of a given product whose value amounts to 50 or 60 percent of the finished product are of EC origin, and not if the value is derived simply from assembly. But as this issue relates to the three Central-East European countries, this issue will arise only in the distant future. Rules of cumulative origin can be enforced only after the mutual dismantling of customs barriers. The agreements of association stipulate that this will happen in five to 10 years.

#### MNB Independence: Background, Suranyi Comment

92CH0060E Budapest NEPSZABADSAG in Hungarian  
4 Sep 91 p 8

[Article by Miklos Merenyi including interview with Gyorgy Suranyi, Hungarian National Bank president; place and date not given: "Tethered Central Bank: The Seemingly Dead Paragraph Comes to Life"]

[Text] The independence of the Hungarian National Bank [MNB] serves as the pledge for the forint's stability. The legislative proposal introduced last week in parliament dealt primarily with the MNB's scope of power.

Only a few people are aware of the fact that the MNB had been established as a stock corporation in 1924. Most central banks of Europe operate as stock corporations, the difference in Hungary is that since its establishment the state became the sole owner of the MNB. Changes in MNB powers largely coincided with the major events of Hungarian economic history: the new economic mechanism of 1968 and the introduction of the bilevel banking system in 1987. The latter demanded that separate laws provide for the MNB which also performed more or less

governmental functions, and for independent financial institutions which did not perform such functions. The law governing financial institutions—which also exists only in the form of a legislative proposal—vests the high powered Banking Supervision with state regulatory authority.

Although work on the central bank law began two years ago, parliamentary debate of the legislative proposal had been postponed a number of times due to the political changes. During the fall session the National Assembly is expected to create the new law and adopt the bylaws of the bank, thereby giving effect in the course of the amending process to the paragraph that has been "seemingly dead" until now but which nevertheless had already been made part of the Constitution. This law provides for the most important functions and activities of the MNB and establishes a method for the appointment of its leaders. The finance minister will officially introduce the legislative package; as holder of the bank's stock he will represent the state within the central bank.

One could understand why in today's harassed political atmosphere the extent and form of the MNB's independence acquired special importance. According to MNB Division Chief Oliver Glatz the term "relative autonomy" most appropriately describes the situation in which the MNB finds itself after the enactment of the law. They presumably managed to sufficiently "tether" the MNB so as to enable the central bank to function in a manner unaffected by daily political considerations.

All this is provided for in the form of several institutional guarantees. The first such guarantee is the fact that the president and the vice presidents of the MNB are appointed by the President of the Republic upon the prime minister's recommendation. The legislation will also establish two new bodies: the central bank council and the supervisory committee. The central bank council will be the highest executive body in which banking professionals appointed by the president of the Republic upon the prime minister's recommendation will also take part. The number of such experts will equal that of the number of vice president and the president. It will be the council's function to establish MNB monetary policy guidelines and to make changes in the application of means by which MNB implements these policies.

The primary function of the supervisory committee is to check the legality of the MNB's functioning; in addition to the finance minister's chosen expert representative, committee membership will include two representatives chosen by the two National Assembly committees having jurisdiction over the MNB, to further strengthen the MNB's bonding with the National Assembly. The MNB's daily operations will be directed by the board of directors. As in every stock corporation, a general meeting will be convened at least once a year, but for the time being this will involve only the finance minister in his capacity as the representative of the state. Attempts had been made to change the general meeting so as to include additional representation, but these attempts

had failed for the time being because under no circumstance could the two institutions which could come into question be regarded as representatives of the state. These are the AVU [State Property Agency]—a government agency, and the Social Security, which is doing everything it can to become independent from the state budget. Fortunately, the merits of the idea that the National Assembly exercise ownership rights have not been discussed.

The MNB president would regularly attend cabinet meetings, and the finance minister would do the same in regard to the above mentioned bodies of the central bank. This way there would also be personal guarantees for complying with what the law required, i.e., that the cabinet and the central bank continuously exchange views concerning monetary policy and budget policy. The MNB has its hands tied insofar as regulating the forint exchange rate is concerned. It will not have authority to make changes in the exchange rate beyond the present plus or minus 5-percent margin. Nevertheless the law vests the head of the MNB with a peculiar right: The MNB president has the right to make public his opinion if the cabinet disregards views expressed by the MNB and if processes under MNB jurisdiction become threatened as a result. The authority to establish exchange rates is bound to lose significance anyway, because gradually, this role is going to be played by foreign exchange market intervention.

On the other hand, the bank will have free hand insofar as interests rate policies are concerned. By now interest rates on the savings deposits of private persons are the only ones determined centrally, nevertheless a mechanism to influence interest rates must exist. Accordingly, the MNB will have an opportunity to apply the central bank's basic interest rate, the daily money market interest rates as well as preferential and penalizing interest rates. The MNB will also have authority to prescribe mandatory reserve requirements.

A peculiar condition exists in the form of a requirement according to which the aggregate volume of central bank credits issued to finance the budget must not exceed on any given day 3 percent of the annual revenues scheduled in the central budget, although this requirement protects primarily the MNB. In the course of financing the budget they will disregard reductions in the state's indebtedness resulting from privatization revenues. The state's indebtedness must be reduced at least to the extent that credits had been granted to sell state property, and privatization revenues provide coverage for that. The state budget will pay interest at the central bank basic rate for credits granted by the MNB. This is not a bad deal for the state because thus far the central bank basic interest rate had been set at 9 percent.

\* \* \*

[Merenyi] Monetary policy is not the only thing at stake; so is the extent of state influence. For example, during recess at last week's National Assembly session FIDESZ

[Federation of Free Democrats] representatives Klara Ungar and Mihaly Varga suggested that it would be preferable for the MNB president to appoint his own vice presidents. How does Gyorgy Suranyi, the central bank president, view this proposal?

[Suranyi] Quite naturally, at any given point in time the incumbent president of the central bank would not object to exerting greater influence on the appointment of vice presidents. I personally believe that it would be more fortunate if the central bank law followed the procedure used with respect to the appointment of state secretaries in the various ministries. State secretaries are appointed by the President of the Republic, as submitted by the prime minister upon recommendations made by the various ministers. Nevertheless I believe that this issue cannot be resolved by the law itself.

[Merenyi] Are you satisfied with the president's six-year term? The governor of the Bundesbank, just like the head of the future European Central Bank, is appointed for an eight-year term.

[Suranyi] I do not recognize a substantial difference between a six-year term and an eight-year term, but this is a matter of taste, of course.

[Merenyi] FIDESZ would fully apply market interest rates with respect to interest charged by the central bank for financing the budget deficit. What do you think of this proposal?

[Suranyi] The proposal contained in the central bank legislative proposal concerning the financing of the budget deficit is satisfactory from a professional standpoint. I feel that the method proposed by FIDESZ would unnecessarily bloat the budget on the expenditure side, and would do the same in regard to central bank profits, and in the final analysis, through that the revenues of the state budget. I believe that from the standpoints of budgetary discipline, informing the public and presenting the grave burden created the budget deficit it was satisfactory that beginning in 1990 we financed the budget deficit at the basic central bank interest rate. In this way, the state's interest expenditures will amount to between 25 billion and 30 billion forints after this year's estimated 80 billion to 90 billion budget deficit. A partly technical change like the one proposed by FIDESZ would not produce a substantial change if the above mentioned interest expenditures failed to exert a sufficient disciplinary force on the budget.

#### **Trade Unions Lack Popularity, Vie for Members**

92CH0022A Budapest HETI VILAGGAZDASAG  
in Hungarian 14 Sep 91 p 6

[Unattributed article: "Trade Union Numbers War"]

[Text] A report based on a public opinion research poll conducted by the Hungarian Gallup Institute and published in mid-August indicated that person's polled regarded trade unions as organizations that "served the

public good" the least. The choice was made from among 13 institutions (the churches, the Hungarian Radio, the press, the Constitutional Court, the courts, the Hungarian Television, the parliamentary opposition, the police, the military, local governments, the cabinet, the National Assembly, and the trade unions). Compared to this it is rather remarkable that relative to the late 1990 "voluntary declaration" of affiliation, the ratio of organized workers has ebbed to a mere 8 to 10 percent of the previous level. It could be, of course that the mistake was made in the course of public opinion sampling. It is yet another matter that trade unions might be more interested than the public opinion pollsters in making the figures look better.

In the first round of activities there was no real chance to make the data look better, there was an opportunity to provide explanations, at most. Trade unions were supposed to present concurring statements from their members by 1 September regarding the automatic deduction of membership dues from wages. Even though the number of statements submitted by MSZOSZ [National Federation of Hungarian Trade Unions] suggests a sharp decline in membership, the organization maintains its previously stated position claiming that submitting these statements provided a real choice and that no further tests were necessary. On the other hand, the Democratic League of Independent Trade Unions (League) and MOSZ [National Association of Workers Councils] did not publicize data concerning statements authorizing deductions, even though the legislative proposal authorizing the signature drive had been proposed in July by representatives close to the League and MOSZ, claiming that "equal conditions for a dues deduction system" had to be established. At this point the two organizations claim that they do not want to take advantage of the opportunity to deduct membership dues from wages, instead they intend to collect membership dues directly, on a monthly basis.

It would undoubtedly be in every trade union's interest to make itself appear as having as many members as possible, because according to one alternative legislative proposal the membership size would determine the unions' representation within autonomous social security bodies. In addition, there might be some logic to the fact that stronger employee interest groups could attract votes easier in plant council and trade union elections promised for next spring, even though some trade unions doubt that this would be true. Thus, by no coincidence, after last weekend's Workers Council steering committee meeting the association president talked about a membership of 100,000 people as compared to the 19,000 figure that was "thrown in" at the previous meeting, while the actual dues paying membership is between 40,000 and 50,000 strong (as HETI VILAGGAZDASAG was told).

In any event, it would be odd for someone to support one trade union with his money, and another with his vote. This would not be inconceivable, however, considering the standing war between the employee interest groups

in which punches are focused exclusively below the belt, and which might produce some coarse manifestations which swing the membership in mass proportions in one direction or another.

The fact that trade unions are gradually acquiring the colors of political parties does not help either: the SZDSZ [Alliance of Free Democrats] is known to sympathize with the League, while the MDF [Hungarian Democratic Forum] supports the Workers Councils. Considering the way parliament received the legislative proposals concerning trade unions in July, an MSZP [Hungarian Socialist Party] announcement last weekend has come as no surprise: The MSZP would support MSZOSZ which it regarded as the organization supportive of employees and that by now this partnership had been proudly agreed to by MSZOSZ. It is yet another question that at best, this announcement only declared a relationship the rest of the trade unions had already presumed to exist. In any event, the trade union membership will have a tough choice to make at a time when it wants a "mere" representation of its interests, but by belonging to one or another union it would also have to strengthen a party which it might not like.

Indications are that workers could expect to have their interests truly represented—at least from the top down—only after this spitefulness comes to an end, because energies at all trade union headquarters are committed rather heavily to the war of statements and the mud-slinging that is hard to follow. At the same time, however, all employee interest groups try to present themselves as partners prepared to negotiate and ready to conduct dialogue. But it could hardly be a coincidence that following Parliament's paternalistic act requested by the League and the Workers Councils, the League and MSZOSZ now turned to the President of the Republic requesting that he act as a justice of the peace and a mediator. Goncz is willing to become involved in the dialogue between the trade unions, employer interest groups, the government and the parties seated in parliament, provided that he enjoys the confidence of all sides called upon to negotiate. The trade unions might even talk to each other thereafter. The only questions pertains to the extent to which an employee could entrust the representation of his interests to organizations unable to reach an understanding with groups which in principle fight for similar goals.

#### Membership Size of Trade Unions Represented in the Interest Mediation Council

| Trade Unions                                  | Membership Size as Reported by the Organizations |                             |
|---|--|-----------------------------|
|   | At the end of 1990                               | Around Early September 1991 |
| Democratic League of Independent Trade Unions | 130,000  | 250,000                     |
| National Association of Workers Councils      | 106,000  | 45,000*                     |
| Solidarity Trade Union Workers' Alliance      | 75,000   | 150,000                     |
| Autonomous Trade Unions                       | 374,197  | 350,000**                   |
| White Collar Trade Union Grouping             | 63,218   | 90,000                      |
| Trade Unions' Cooperative Forum               | 557,295  | 750,000                     |
| National Federation of Hungarian Trade Unions | 2,682,753  | 2,000,000***                |
| <b>Total</b>                                  | <b>3,988,463</b>                                 | <b>3,635,000</b>            |

\* Number of dues paying members; according to information received from the association the membership reached the 100,000 level as a result of new members joining after the 7 September steering committee meeting.

\*\* Early 1991 data.

\*\*\* The number of those who authorized the automatic deduction of membership dues from wages in favor of organizations belonging to MSZOSZ is 1,100,000.

#### Consultants to Previous Regime Seek Contract

92CH0060C Budapest NEPSZABADSAG in Hungarian  
5 Sep 91 p 7

[Article by H.Sz.: "Waiting for the Starter Shot: Privatizer To Be Privatized"]

[Text] Szenzor Management Enterprise was first to announce its intent to take part as an expert consultant to AVU [State Property Agency] in the self-privatization of small enterprises. At the same time Szenzor decided to take advantage of the same opportunity and privatize itself. In the end, this served as one of the reasons why it

did not become an official adviser to AVU. The justification: an organization preoccupied with its own privatization has no time to privatize others. Szenzor President Adam Szilas reacted to this statement with a laconic comment: With the same effort they might as well halt production in enterprises included in the privatization list because they, too, are busy looking for an owner.

Despite this situation, Szenzor's management does not regret the fact that they agreed to serve as guinea pigs. In recent years they have undergone quite a few reorganizations and transformations initiated on their own, claiming that it was better to confront the events than being drifted by the events. The longtime management institute serving the former Ministry of Heavy Industry lost its comfortable monopolistic situation at a rather

early stage. Even prior to the enactment of the corporate law they discovered that if in any field, there would be great competition in advisory, enterprise management and management consulting services. Since then some 500 specialized consulting firms had been established in Hungary.

Meanwhile Szenzor also applied to itself the remedies it prescribed to others. Initially it split into six KFT's [limited liability corporations] and since then into five additional KFT's, all of which are mixed ownership [joint enterprises] with a 30-40 percent [outside] ownership. Szenzor's ownership share is managed by a state enterprise which had been transformed into a holding corporation. The function of the holding corporation is to obtain orders for the firms and to coordinate their activities, because the KFT's are jointly capable of delivering complex services ranging from the evaluation of firms and the provision of business information to privatization and to the selection of top executives. This is what they are able to offer to their hoped-for clients, and this is why they would like to keep the firm in one piece.

And what they expect from privatization and from a new owner is not primarily money, according to the president. In the long term, expanded market opportunities, and continuous access to specialized state of the art implements and to knowledge may prove to be far more important to an enterprise than money.

Szenzor is confident that this process will be complete by the end of the year. Adam Szilas justifies the hurry and the voluntary offering of services by claiming that only a finite number of people wish to invest in Hungary and therefore they are able to strike better deals at present than even a year from now. There are inquiries and potential buyers; by now they are only waiting for AVU to act. The longer it takes to release the list of firms which intend to act as advisers in AVU's privatization efforts, the more delayed the start of self-privatization. Not only at Szenzor, but also at all the rest of the firms which find themselves in a similar situation.

#### **Privatization Rate, Parameters Assessed**

*92CH0063F Budapest MAGYAR HIRLAP  
in Hungarian 18 Sep 91 p 8*

[Article by M.Z.: "Does State Property Really Amount to 50 Percent?"]

[Text] Regardless of how we look at it, a close to 300-page study released by the recently established Privatization Research Institute headed by Gyorgy Matolcsy is a respectable accomplishment. In it researchers try to provide a thorough analysis of Hungarian privatization events during the past year and a half to two years and an attempt has also been made to prepare a certain forecast.

In commenting on the release of the volume entitled "The Years of Our Recovery," Matolcsy, a former associate at the Financial Research Institute and more recently a chief cabinet adviser, stated that the economy has not reached its deepest point and that we could count on stumbling about for the next two or three years, although the acute fever has disappeared and the Hungarian economy has begun to heal.

Researchers tried to define the size of both state property and the private sector in Hungary. Based on their calculations the per capita Hungarian gross domestic product [GDP] is double the amount of the officially announced GDP value, i.e., it amounts to about \$5,000 or \$5,500. Matolcsy's group estimates the value of national assets at about 14,000 billions [currency not given], roughly 10 percent of which constitutes state property—more accurately: the market value of state enterprise assets—even though official figures given are much higher. The practice nicknamed by researchers as the "amortization pump" plays an important role in the depreciation of assets; this means that enterprises account for fictitious profits as a result of the tax system and the system by which fixed assets can be written off. Since this practice also produces tax revenues, the consequence is that the state budget also distributes moneys that do not exist. In plain terms: The state consumes its own assets.

Privatization Research Institute associates admitted that they, too, were stunned by the figures they estimated or found to be true. They believe that in the days and in the course of spontaneous privatization some 130-billion-forints' [Ft] worth of assets had been transformed, and that characteristic of the acceleration of privatization, assets of some Ft260 billion had been privatized during the past 12 months. Matolcsy characterized these transformations as raw privatization, because the enterprises at issue had not yet been transferred into private ownership, nevertheless they were ready to take the big leap. The Institute introduced a so-called "raw privatization index" which is supposed to assess the aggregate amount of assets this group of enterprises is about to produce. The index stood at 9 percent in the spring of 1990, but last July it showed 29 percent, which indicates that indeed, about one-third of state property awaited privatization. The Institute predicts that come next summer, the index will show a 50-percent rate. In the spring of 1990 the real privatization index must have been about 1 percent, according to their calculations, but by the middle of this year some 60 billions [currency not given] had been privatized, 4 percent of which might be regarded as real.

The internal accumulation within the private sector stunned the researchers: In their view assets of about Ft150 billion had accumulated as a result of officially reported and unreported profits, interest income resulting from assumed individual foreign exchange deposits, and from "entrepreneurial ventures" not officially registered. Meanwhile, however, the tax revenues and aggregate dividends flowing from the state sector altogether amount to two-thirds of this volume. They

estimate the value of all privately owned assets to amount to 500 billions [currency not given]. Beyond that, taking into consideration the rather significant local government and cooperative property which must not be regarded as state property as well as foreign investments, one finds that the ratio of state property within all assets has dropped below the 50-percent level. Matolcsy and his group advocate the acceleration of removing the state from the economy and in a further acceleration of "raw privatization." In their view assets worth some Ft300 billion will soon be transferred to new corporate forms. This, of course, would also represent a shocking renationalization according to the researchers, because a majority of the firms involved would transfer their shares to the State Property Agency [AVU]. It seems that an opportunity will also evolve for a kind of privatization called "fourth traveler"; the foreign professional press calls this management buy-out, i.e., the purchase of the firm by its own management. Matolcsy risked making a statement according to which the selling price of enterprises in the course of privatization would have a lesser significance in the future and that it would become a secondary or tertiary issue, and that the protection of employees would become the number-one priority, in a manner similar to the GDR.

The researchers believe that the state budget should count at most on revenues amounting to between Ft200 billion to Ft300 billion from the sale of state property worth Ft1,400 billion.

**'Upgrading' Holding Corporation Progress Report**  
*92CH0060D Budapest NEPSZABADSAG in Hungarian*  
*4 Sep 91 p 8*

[Interview with Gabor Gulacsi, Ministry of Industry and Commerce deputy state secretary, by Katalin Bossanyi; place and date not given: "'Upgrading,' Inc.: Report To Be Submitted in September"]

[Text] Early this year the IKM [Ministry of Industry and Commerce] recommended the establishment of an upgrading and transforming holding corporation. After some delay the government made a decision concerning these special investment companies willing to prepare failed industrial firms for privatization. Months have passed, and this is one reason why I inquired from Gabor Gulacsi, the ministry's deputy state secretary.

[Bossanyi] Where do you stand with organizing the holding corporation that is supported by the World Bank and that would accelerate industrial structural transformation?

[Gulacsi] We issued a closed tender invitation in May for the drafting of an implementation plan. The contract has been awarded to the well-known Cooper and Lybrand firm. They have prepared an interim report during the summer, and the final report will be delivered in September.

[Bossanyi] How much starting capital will the stock corporation have?

[Gulacsi] Since no separate appropriations exist for this purpose, we basically can count on the 10 million ECU's (\$11.7 million) received from the Phare Program. This is the equivalent of one billion forints. Cooper and Lybrand is seeking private investors to match this amount. It appears that foreign investors are interested in the new venture. Since the function of stock corporations engaged in reorganizations involves high risks throughout the world, one can understand why potential partners wish to receive thorough information before agreeing to invest.

[Bossanyi] Who will own the long term entrepreneurial assets of the state in this structure? What kind of property management structure do you have in mind?

[Gulacsi] We believe that successful upgrading can be accomplished only along with full ownership control. The holding corporation will deal only with enterprises already transformed into stock corporations. The founder—in this case the IKM—could exercise the owners' rights, or, if the cabinet so decides, a separate fund established for this purpose could perform the same function. We will maintain a close working relationship with the AVU [State Property Agency], but it is implicit in this relationship that they would not exercise ownership rights during the transition period. The upgrading stock corporation would take over these firms from the AVU, perform the transformation by attracting supplemental capital and would, at the same time, reach an agreement with AVU to pay only three years later for the firms that have been prepared for privatization, i.e., for firms which could be sold at a much more favorable price than their present market value.

[Bossanyi] What kinds of enterprises will be managed by the holding corporation? Would this be an undertaking within a narrow industry branch or trade?

[Gulacsi] We did not make our selection on the basis of narrow considerations limited to certain industry branches. Instead we selected firms which still operate with a zero balance. This means that the firms selected have some debts, but after their upgrading they would not only be able to avoid liquidation but would also be suited for full privatization. We presented a list of 150 machine industry, light industry and electronics firms to Cooper and Lybrand; their experts selected 12 of these at first glance.

[Bossanyi] What actually does an upgrading program like this consist of?

[Gulacsi] They would attract to each individual enterprise supplemental capital amounting to one-third of the enterprise's capital stock. This money would be used in part to streamline operations, and in part to implement development projects to renew the production structure and technology. A marketing organization and the modernization of management would be part of this. In the

course of transformation the investors would delegate separate financial representatives to work alongside the person who headed the firm thus far. These programs could be linked to World Bank structural transformation projects; the Europa Bank also sees a potential in these activities in the form of, e.g., reconstruction investments. It is our hope that these firms become suitable for privatization after the upgrading.

[Bossanyi] Is the realization of your endeavors impeded by the fact that the government still has no final privatization concept and that debate also continues regarding property management?

[Gulacsyi] We received a green light to organize the holding corporation. But we would need several such investor-upgrading firms to serve various fields in the economy, of course. It is my understanding that one of the large commercial banks is considering this opportunity, and the investment fund which is becoming independent from AFI [National Institute for Development] would also serve similar purposes. Protracted conceptual debates are the source of much uncertainty. From our standpoint it would be most important to know who is supposed to exercise ownership rights in the medium term relative to enterprises which find themselves in such difficult situations.

#### **Banker's View of Proposed Banking Law**

92CH0060B Budapest MAGYAR HIRLAP  
in Hungarian 12 Sep 91 p 10

[Interview with Gyorgy Ivanyi, Inter-Europa Bank president, by Emilia Papp; place and date not given: "Gyorgy Ivanyi on Banking Laws, Economic Roles To Be Played: Barriers Against the Preponderance of the State"]

[Text] Debate concerning financial laws has flared up. Many attribute this to the fact that political considerations became mixed with professional arguments. The truth is that some political stakes are indeed involved in the way regulation of this definitive economic sector takes shape. How does a bank manager known of his publications on the theory of banking, and who himself took part in drafting the laws see this? We sought the views of Inter-Europa Bank President Gyorgy Ivanyi concerning the most frequently disputed issues related to banking laws.

[Papp] Some justify the concessions made to the state and the government in the context of the banking law with the transitional character of our economy and the inadequate developmental level of our banking system. Can you accept this view?

[Ivanyi] I do not agree with this perspective. Legislation must consider the fact that socioeconomic conditions as a whole are undeveloped and that the institutional system of governance, the state regulatory structure and the available means cannot be regarded as developed. The situation would be entirely different if stable relationships existed in terms of interests and values that are

characteristic of an economy based on private ownership. A state institution could indeed play only its own, designated role if that was the case, irrespective of what the legal limitations of such role would be, because political and social barriers would exist which could not be transgressed by governmental authority, or could be transgressed only with difficulty.

[Papp] The competent minister made a statement in the course of debate to the effect that it would be a mistake to establish legal requirements for the forced privatization of the state owned share of banks. According to what he said, the state's ownership share in banks would gradually decrease anyway, despite the exceptional situation provided for the state in the legislative proposal.

[Ivanyi] The Nemeth government was the last government which consciously counter develop its own power. This is not an issue of decency, honesty and good intentions, one has to be very decadent to do what the Nemeth government did. I trust though that the present government and future governments will not be the governments of a progressive, but of a newly created order and that they will not be decadent at all.

[Papp] Would you say that if that was the case, it would be better if they were restricted by law?

[Ivanyi] That's exactly what I mean.

[Papp] Understandably, it would be quite difficult for any government to accept this proposition. While debating the banking law, ruling party representatives had been disturbed by as much as a lack of a clear-cut requirement to the effect that the central bank must be obligated at all times to support the government's economic policy.

[Ivanyi] No one argues with the fact that monetary policy is only a subsystem of economic policy, except that economic policy is not one and the same thing as government policy, it amounts to far more than that. It includes everyone involved in the economy—owners, entrepreneurs and their strategies. Monetary policy must be streamlined with all this, and not only with goals established by government. By virtue of their nature, governments are forced to increase their budgeted expenditures in order to maintain the social and political balance and in order to be reelected. The central bank is the counterpoint to the enforcement of interests expressed in the budget, it bears autonomous responsibility for the balance of the entire financial system.

[Papp] Considerations of influencing the central bank also arise in the process of defining the method by which the central bank provides direction. The legislative proposal would establish a central bank council. This meets with the approval of foreign experts because this way pressure could at least not be exerted on monetary policy through the person of the central bank president.

[Ivanyi] I, on the other hand, use the present conditions as my starting point and I would prefer to see a central bank president with greater powers. Committee leadership in the central bank—irrespective of whether that committee would supervise the president or would be subordinate to the president, but which in any event would constitute a team composed of highly autonomous

vice presidents—would enable the central bank staff to pursue a more independent life and permit a strengthening of the old bureaucratic features that were alien to the central bank's role. If anywhere, it is in the central bank that I regard prestige as important. The same thing applies to the cabinet. Overly autonomous ministers could cause the demise of the cabinet program.

Under the present central bank council structure the prestige of the central bank president depends primarily on his professional superiority over the rest of the members. Irrespective of the persons of the individual council members and the method of their appointment, they would soon discover that they were unable to represent anything but issues related to the balance of the monetary system. A person could be appointed to represent industrial development, political interests or agricultural interests, but within moments it would turn out that such role was false and that it could not be played. The organization I would like to operate would be strongly influenced by the things I wanted to do and the way I wanted to do things.

[Papp] FIDESZ [Federation of Young Democrats] suggested relative to the central bank law that the possible limits of central bank financing of state budget deficits be tightened. Would it be possible to abide by the limit as proposed in the legislative proposal?

[Ivanyi] The rules should be stringent even if we knew that in the next few years these limits would have to be exceeded, because it is important that a case be made for such transgressions and that central bank financing not be provided on an automatic basis. It is very important that the presence of the state budget in the financial system not be unlimited, otherwise the real factors in the economy gradually come to manage only a fraction of the available credit resources, while the lion's share of such resources is consumed by the budget—an insignificant factor from the standpoint of the economy as a whole. It is important to have a clear picture of the world. We must not start out by thinking that the state budget is something huge, something really important and that the role of the economy is subordinate to the budget, while totally forgetting about the people. Instead, we must realize that the people play the decisive role because they dispose over 70 percent of all income, savings and assets.

[Papp] The other position advocated by FIDESZ called for the financing of the state budget at market interest rates, but a situation like this could extremely increase the budget deficit.

[Ivanyi] One has to clearly understand that charging any preferred interest rate appears as a burden in someone else's books. The difference between the inflation rate and the preferred interest rate must be made up somewhere by someone within the system. One could print money, but this would only further increase inflation. But since doing so is irresponsible under a constant threat of inflation, and since losses incurred as a result of preferred rate interests enjoyed by the state budget and

others can be incorporated into high, "market" interest rates only in part, the state budget also pays for the exchange rate losses incurred as a result of the foreign refinancing of the state's indebtedness, so that in the overall the state pays market interest rates even today. Another disadvantage of this system is that losses incurred as a result of devaluation are elements of the state's indebtedness which fall outside of the approval authority of parliament. These present themselves as accomplished facts.

[Papp] In conjunction with the financial institutions law you had mentioned several times that you regarded as a key issue the extent to which the state distinguished between the roles it agreed to play. Why is this a key issue?

[Ivanyi] Quite obviously it would be impermissible for the state in its capacity as the regulator and controller to enforce its ownership interests within the banking sector, and it would be similarly impermissible for the state to enforce its ownership interests in regard to its supervisory activities. The laws must provide for appropriate limitations to prevent the state sector from acquiring advantages insofar as its position is concerned vis-a-vis the private sphere. I fully understand the fact that the government wants to have the means to act with and wants to establish the possibility for "cutting corners," simply because the state is convinced that it is so smart and so honest that it would never use those means. But this holds true only as long as the government does not find itself in trouble, and at that point it will use these means and the crisis will further deepen.

[Papp] You regard the regulation of bank secrets as the other key issue.

[Ivanyi] Yes, because precedents are established as a result of regulating bank secrets, precedents which involve the fundamental rights of persons active in the economy. I do not argue with the idea that the present banking law must also establish the basic principles pertaining to bank secrets, because the present situation is confused. But this could only be a temporary solution until such time that this issue was settled in the framework of a comprehensive law on information and privacy protection strongly imbedded in the constitutional milieu. On the other hand, some very strict regulations should be required during the transition period in order to prevent abuses.

Some other areas of the banking law also include rules which must not be regarded as final. The law would have to be reviewed within a year or two relative to certain ratios related to the functioning of the banking industry and with respect to the rigid distinction between the institutions of the capital market and the money market. Life itself will force these changes.

**Decline in 1990 Profit Tax Analyzed**

*92CH0060A Budapest FIGYELO in Hungarian  
12 Sep 91 p 9*

[Article by Janos Trautmann: "Average Profit Tax: 31 Percent"]

[Text] The State Accounting Office [ASZ] prepared an analysis of 1990 profit taxes, of contradictions found in the tax system and the distinguishing effect of the tax system.

State and private enterprise profits amounted to 270 billion forints in 1990. Based on general rules, 110.2 billion forints of this amount should have been paid in as profit taxes, but the actual amount was only 84.3 billion forints because enterprises took advantage of tax benefits. Accordingly, 1990 profits were taxed only at a 31.2-percent rate rather than the 44.7-percent rate that prevailed in the previous year.

The tax rate has decreased in every branch except in cultural and sport enterprises. In the electrical industry, machinery, chemical and light industries the tax burden has decreased by more than 10 percent. The 4-percent decrease was relatively modest in the food industry; despite this fact, however, the tax rate was among the lowest in this branch of industry. Agricultural profits, and profits made by the communication industry were taxed at the lowest rate while foreign trade profits at the highest. The rate of taxation in the health care field and in the cultural branches increased from the 1989 level of 21.6 percent to 24.8 percent, decisively as a result of tightening the available tax benefits.

The fact that 25 percent of the enterprises were taxed in 1990 at a rate lower than 20 percent is equally noteworthy. Within this group 1,835 enterprises paid no taxes at all because they were fully tax exempt. (See Table 1.) And while the number of enterprises which did not pay taxes doubled in 1990 as compared to 1989, the number of enterprises paying more than 40 percent in profit taxes dropped by more than half. The shift toward lower tax rates within the tax structure indicates that this trend continues to apply to a large group of enterprises despite the reduced benefits and increased stringency.

The enterprise profit tax law provides about 20 different tax benefits to enterprises based on the type of activity pursued. In 1990 enterprises took advantage of tax benefits amounting to 25.9 billion forints as compared to the planned amount of 16.2 billion forints, despite the fact that the availability of benefits had been tightened in the course of the year.

Tax benefits not projected on profit taxes provided a particularly advantageous situation for enterprises. These include deductions related to interest paid after credits and loans and the sale of fixed assets. These benefits amounted to 11.3 billion forints. Without disputing the economic justification of these tax benefits, the related regulatory provisions render the calculation

of the margin of budgeting error very difficult at least in regard to this category of taxation. The largest deviation occurred between the projected and actual figures of tax benefits used with respect to investments in backward areas (30 percent of the investment expense). Advance estimates called for 520 million forints to be claimed in the form of such exemptions, but the actual amount claimed by 835 business organizations amounted to almost 4.1 billion forints.

These claimed exemptions should be examined first and replaced perhaps with other techniques more closely dependent on profits.

One of the most significant deviations from the planned level of tax benefits was made by business organization. As compared to the planned 1-billion-forint level of exemptions they claimed 5.2 billion forints, and 5.6 billion forints if one includes financial institutions. This excess of claims occurred in part because new business organizations were established in a number greater than expected. The law also provides substantial benefits under rather easily realized conditions to partly foreign-owned enterprises. For this reason conditions for taking advantage of tax benefits in joint enterprises have already been significantly tightened for the tax year 1991. However, the temporary rules do not apply until 1995 to the effects of tax benefits established earlier, or leave these benefits unchanged for 10 years from the date when they were first claimed.

In the overall the tax burden on various enterprises is strongly stratified from the standpoint of the type of exemption provided to the various enterprises by the tax law. (See Table 2.) This meant that with respect to a large part of the aggregate profits the standard rules provided by the tax law did not apply.

In 1990 enterprises contributed 26.2 billion forints to the state after state property entrusted to them in order to produce revenues needed to cover state expenditures and to render the enterprises' tax burden proportionate to that borne by business organizations. From among the 3,507 state enterprises to which state property had been entrusted 1,718 contributed to the state the amount prescribed by law. The decisive share of contributions to the state—18 billion forints—was made by the 444 enterprises which had been placed under state administrative supervision.

Enterprises must pay their profit taxes after their profits, and their contributions after the state property they were entrusted to manage. They must also pay the amount of general sales taxes that could not be deducted after investments. They are authorized to freely manage the remaining funds. As a result of contributions made to the state the rules and tax benefits produced a greatly varied effect on the rate of profit that remained with enterprises.

In the national economy as a whole 55 percent of the 1990 profits remained with the enterprises after paying the required taxes and contributions to the state. The

same ratio was 49 percent in the previous year. Within the 55-percent ratio, however, great variations exist between various groups of enterprises. In the industrial sector as a whole only half of the profits remained with the enterprises. In the machine industry, however, the ratio of profits remaining with enterprises was 66 percent, and the same was 64 percent in the construction industry. The situation is substantially more favorable

from the standpoint of agriculture as compared to the national economy as a whole: Farming enterprises retained 74.5 percent of their profits.

The great variation in the taxation of enterprises suggests that under unchanged budgetary conditions the opportunity to reduce taxes must be established by moderating the extremes. One way to accomplish this is to further reduce tax benefits.

**Table 1. Enterprise Profit Tax Rates**

| Tax Rate <sup>1</sup> (in percentages) | Enterprises |  | Profits             |  |
|--|-------------|--|---------------------|--|
|  | Number      | Ratio of Total Number (in percentages) | Billions of Forints | Ratio of Total Amount (in percentages) |
| No taxes paid                          | 1,835       | 10.9                                   | 16.3                | 6.0                                    |
| 0-10                                   | 907         | 5.4                                    | 12.7                | 4.7                                    |
| 10-20                                  | 1,470       | 8.7                                    | 28.7                | 10.6                                   |
| 20-30                                  | 5,153       | 30.6                                   | 34.5                | 12.8                                   |
| 30-40                                  | 6,798       | 40.5                                   | 133.8               | 49.6                                   |
| 40 and more                            | 648         | 3.9                                    | 43.7                | 16.3                                   |
| Total                                  | 16,811      | 100.0                                  | 269.7               | 100                                    |

<sup>1</sup>Profit taxes accounted for as fractions of profits.

**Table 2. Effect of Tax Benefits on Tax Rates**

| Designation                  | Number of Enterprises | Tax Rate (in percentages) | Profits (billions of forints) |
|------------------------------|-----------------------|---------------------------|-------------------------------|
| Received tax benefits*       | 8,879                 | 30.0                      | 230                           |
| Did not receive tax benefits | 7,941                 | 38.3                      | 40                            |
| Total                        | 16,811                | 31.2                      | 270                           |

\* Not including financial institutions.

### Listing of Foreign Industrial Firms Present

92CH0063B Budapest FIGYELO in Hungarian  
19 Sep 91 p 39

[Unattributed table: "Largest Foreign Industrial Firms Doing Business in Hungary"]

[Text]

**Largest Foreign Industrial Firms Doing Business in Hungary**

| Fortune 500 Ranking |      | Enterprise              | Domicile                  | Main line of business |
|---------------------|------|-------------------------|---------------------------|-----------------------|
| 1990                | 1989 |                         |                           |                       |
| 1                   | 1    | General Motors          | United States             | automobile            |
| 2                   | 4    | Royal Dutch/Shell Group | Great Britain/Netherlands | oil                   |
| 3                   | 3    | Exxon                   | United States             | oil                   |
| 4                   | 2    | Ford Motor              | United States             | automobile            |
| 5                   | 5    | IBM                     | United States             | computers             |
| 6                   | 6    | Toyota Motor            | Japan                     | automobile            |
| 8                   | 10   | British Petroleum       | Great Britain             | oil                   |
| 9                   | 8    | Mobil                   | United States             | oil                   |
| 10                  | 7    | General Electric        | United States             | electronics           |
| 11                  | 13   | Daimler-Benz            | Germany                   | automobile            |

**Largest Foreign Industrial Firms Doing Business in Hungary (continued)**

| Fortune 500 Ranking |      | Enterprise                     | Domicile                  | Main line of business |
|---------------------|------|--------------------------------|---------------------------|-----------------------|
| 1990                | 1989 |                                |                           |                       |
| 13                  | 15   | Fiat                           | Italy                     | automobile            |
| 14                  | 20   | Samsung                        | South Korea               | electronics           |
| 15                  | 14   | Philip Morris                  | United States             | food                  |
| 17                  | 12   | Matsushita Electric Industrial | Japan                     | electronics           |
| 18                  | 28   | ENI                            | Italy                     | oil                   |
| 21                  | 18   | Unilever                       | Great Britain/Netherlands | food                  |
| 22                  | 19   | E.I. Du Pont de Nemours        | United States             | chemicals             |
| 24                  | 22   | Siemens                        | Germany                   | electronics           |
| 25                  | 26   | Nestle                         | Switzerland               | food                  |
| 30                  | 27   | Renault                        | France                    | automobile            |
| 32                  | 31   | BASF                           | Germany                   | chemicals             |
| 34                  | 33   | Hoechst                        | Germany                   | chemicals             |
| 35                  | 43   | Asea Brown Boveri              | Switzerland               | machinery             |
| 38                  | 39   | Alcatel Alsthom                | France                    | electronics           |
| 39                  | 38   | Bayer                          | Germany                   | chemicals             |
| 40                  | 32   | NEC                            | Japan                     | electronics           |
| 42                  | 55   | Total                          | France                    | oil                   |
| 44                  | 40   | Imperial Chemical Industries   | Great Britain             | chemicals             |
| 45                  | 47   | Daewoo                         | South Korea               | electronics           |
| 47                  | 48   | United Technologies            | United States             | aircraft              |
| 48                  | 51   | Thyssen                        | Germany                   | steel                 |
| 49                  | 42   | Mitsubishi Electric            | Japan                     | electronics           |
| 53                  | 53   | Dow Chemical                   | United States             | chemicals             |
| 59                  | 50   | Eastman Kodak                  | United States             | photo                 |
| 61                  | 54   | Xerox                          | United States             | photo                 |
| 69                  | 56   | Mitsubishi Motors              | Japan                     | automobile            |
| 70                  | 67   | Mitsubishi Heavy Industries    | Japan                     | machine industry      |
| 74                  | 90   | Mannesmann                     | Germany                   | machine industry      |
| 76                  | 72   | Tenneco                        | United States             | machine industry      |
| 78                  | 70   | Volvo                          | Sweden                    | automobile            |
| 80                  | 81   | Ciba-Geigy                     | Switzerland               | chemicals             |
| 81                  | 95   | Rhone-Poulenc                  | France                    | chemicals             |
| 83                  | 77   | Electrolux                     | Sweden                    | electronics           |
| 92                  | 89   | Hewlett-Packard                | United States             | computers             |
| 98                  | 127  | Sumitomo Metal Industries      | Japan                     | steel                 |
| 115                 | 125  | Johnson & Johnson              | United States             | pharmaceuticals       |
| 128                 | 136  | Coca-Cola                      | United States             | beverages             |
| 137                 | 133  | Krupp                          | Germany                   | machine industry      |
| 141                 | 142  | Akzo                           | Netherlands               | metal industry        |
| 148                 | 165  | Sandoz                         | Switzerland               | pharmaceuticals       |
| 161                 | 149  | Mitsubishi Kasel               | Japan                     | oil                   |

**Largest Foreign Industrial Firms Doing Business in Hungary (continued)**

| Fortune 500 Ranking |      | Enterprise                   | Domicile             | Main line of business   |
|---------------------|------|------------------------------|----------------------|-------------------------|
| 1990                | 1989 |                              |                      |                         |
| 166                 | 213  | L.M. Ericsson                | Sweden               | electronics             |
| 172                 | 193  | Merck                        | United States        | pharmaceuticals         |
| 179                 | 198  | Olivetti                     | Italy                | computers               |
| 180                 | 191  | Bertelsmann                  | Germany              | printing                |
| 182                 | 188  | Sumitomo Chemical            | Japan                | chemicals               |
| 183                 | 177  | Fuji Photo Film              | Japan                | photo                   |
| 184                 | 216  | Henkel                       | Germany              | chemicals               |
| 190                 | 188  | Sumitomo Electric Industries | Japan                | metal industry          |
| 192                 | 222  | Hyundai Motor                | South Korea          | automobile              |
| 194                 | 179  | Honeywell                    | United States        | photo                   |
| 195                 | 175  | Suzuki Motor                 | Japan                | automobile              |
| 196                 | 205  | Roche                        | Switzerland          | pharmaceuticals         |
| 216                 | 257  | Bull                         | France               | computers               |
| 219                 | 281  | Huls                         | Germany              | chemicals               |
| 240                 | 250  | Nokia                        | Finland              | electronics             |
| 243                 | 300  | Hyundai Heavy Industries     | South Korea          | transportation vehicles |
| 250                 | 194  | Mitsubishi Metal             | Japan                | steel                   |
| 251                 | 266  | DSM                          | Netherlands          | chemicals               |
| 256                 | 239  | Furukawa Electric            | Japan                | metal industry          |
| 260                 | 273  | Schlumberger                 | Netherlands Antilles | mining                  |
| 262                 | 234  | Daihatsu Motor               | Japan                | automobile              |
| 273                 | 317  | Eli Lilly                    | United States        | pharmaceuticals         |
| 280                 | 303  | Glaxo Holdings               | Great Britain        | pharmaceuticals         |
| 283                 | 397  | Black & Decker               | United States        | machine industry        |
| 301                 | 291  | Alusuisse                    | Switzerland          | metal industry          |
| 311                 | 324  | Sulzer Brothers              | Switzerland          | machine industry        |
| 325                 | 339  | Mitsubishi Oil               | Japan                | oil                     |
| 326                 | 360  | Levi Strauss Associates      | United States        | clothing                |
| 327                 | —    | Sumitomo Metal Mining        | Japan                | steel                   |
| 329                 | 344  | Goldstar                     | South Korea          | electronics             |
| 349                 | 404  | Heineken                     | Netherlands          | beverages               |
| 361                 | 371  | Sumitomo Rubber              | Japan                | rubber                  |
| 365                 | 410  | Schering                     | Germany              | pharmaceuticals         |
| 386                 | 351  | Mitsui Toatsu Chemicals      | Japan                | chemicals               |
| 392                 | 462  | Klockner-Werke               | Germany              | steel                   |
| 412                 | 398  | Mitsubishi Petrochemical     | Japan                | chemicals               |
| 418                 | 421  | Sandvik                      | Sweden               | metal industry          |
| 424                 | —    | Alfa-Laval                   | Sweden               | machine industry        |
| 432                 | 436  | Sumitomo Heavy Industries    | Japan                | machine industry        |
| 457                 | —    | Mitsui Mining and Smelting   | Japan                | steel                   |
| 465                 | 487  | Rohm & Haas                  | United States        | chemicals               |

**Largest Foreign Industrial Firms Doing Business in Hungary (continued)**

| Fortune 500 Ranking |      | Enterprise                 | Domicile    | Main line of business   |
|---------------------|------|----------------------------|-------------|-------------------------|
| 1990                | 1989 |                            |             |                         |
| 473                 | —    | Atlas Copco                | Sweden      | machine industry        |
| 486                 | —    | Schindler Holding          | Switzerland | transportation vehicles |
| 489                 | 463  | Mitsubishi Mining & Cement | Japan       | building materials      |
| —                   | 92   | Kuwait Petroleum           | Kuwait      | oil                     |
| —                   | 225  | Feldmuhle Nobel            | Germany     | paper                   |
| —                   | 326  | Jacobs Suchard             | Switzerland | food                    |

Note: The above table includes firms listed in both the 1990 and 1989 FORTUNE 500 lists of firms based on sales volume, which have a business interest, representation, or office in Hungary, to the extent that it was possible to determine this based on available information.

The listing also includes firms represented by certain units of these firms, rather than by the headquarters of these firms, (e.g. subsidiaries, European divisions, joint enterprises). This is so because depending on the structure of multinational corporations one often finds requirements based on which certain divisions of such firms are authorized to transact business or invest in East Europe or even in all of Europe. In other instances, firms active in various fields constitute multinational firms which in most instances are represented by independent firms.

**Leader of Faith Congregation Interviewed**

91CH0945A Budapest REFORM in Hungarian No 36,  
5 Sep 91 p 15

[Interview with Sandor Nemeth, leader of the Faith Congregation, by Laszlo Dalia; place and date not given: "Come to a Happy Service!"—first paragraph is REFORM introduction]

[Text] "Come to a happy service!" This is what people are asked to do by the Faith Congregation, which is now operating in 60 locations around the country with a total annual budget of 25-30 million forints—Latinovits had also gone to confession before throwing himself in front of the train—left the Alliance of Free Democrats—On sexuality—How much is there to the rumors about the influx of American money?—Luxury villa? Come on now!—Looking for a manager.

The Faith Congregation is not trying to hide; the Fonyondar Street Vasas [Sports Club] arena is one of their places of pilgrimage, where sometimes even atheists stop by to observe the Saturday evening happy service. Every week, more artists, politicians, and sports personalities are reported to be joining their ranks. Reverend Sandor Nemeth and his followers founded the congregation years ago, at his home in Budaors, but he has rarely spoken in public because he does not like the institution of papacy.

[Dalia] Does everyone find refuge in your congregation?

[Nemeth] We cannot close our doors to anyone, particularly since the lives of the people who come to us knocking are practically at the end of their ropes, and since they are treated harshly by the health care system, many times God is their last refuge. When during his recent visit an American preacher called on those in his audience at the Budapest Sports Arena who had attempted to take their own lives to put up their hands, one-third of the people present responded. [The late

actor] Zoltan Latinovits had also gone to confess to a renowned Catholic priest before stepping in front of a train, as had [one-time Prime Minister, Count] Pal Teleki before his suicide.

[Dalia] Many are rushing to join the Faith Congregation; the services are happy and almost secular, although I have also heard that you have told several people to leave because they did not fit into the community.

[Nemeth] There is nothing peculiar about this. After all, Christian communities also have their moral and ideological norms. Liberal churches around the world are demanding the right to enjoy a healthy sex life, and in some places things have gotten to the point where they have begun to ordain homosexuals and marry people of the same sex. Sexuality, in our view, is not some necessary evil, but a positive phenomenon, God's gift, and among other things one of the sanctities of marriage.

[Dalia] With Christianity having become fashionable, aren't you afraid that this philosophy might scare off some of the faithful?

[Nemeth] This course does entail tremendous dangers, for when those in power try to force a set of beliefs onto society, they actually end up creating more resentment toward those beliefs. And there is a danger that this might also cast a shadow on our congregation. We oppose all forms of aggression, including attempts to force people to convert by raising the specter of the wrath of God; this is not the course our missionaries have chosen to follow.

[Dalia] You were one of the founding members of SZDSZ [Alliance of Free Democrats], but six months ago you quit that organization.

[Nemeth] When our congregation was still outside of the law, we used to turn to the democratic opposition with our human and legal grievances. During the elections we maintained a rather close relationship with the SZDSZ;

our members were even going around putting up posters for them. Then, after the local elections, we had some great disappointments. Many of the candidates elected to office made it practically their first order of business to move against us. The Faith Congregation is independent of all parties, although our membership includes many supporters of the SZDSZ, FIDESZ [Federation of Young Democrats], and the MDF [Hungarian Democratic Forum].

[Dalia] They say that you are still in a state of war with the traditional churches...

[Nemeth] Before the political system change we were on bad terms with the leaders of the Reformed Church, because several students from the Debrecen theology faculty had joined in our services, and subsequently were severely punished by their leaders. It was on the basis of their complaint that the State Office of Church Affairs decided to ban the congregation in 1983. Since the political system change our relationship has improved dramatically, but now we are at odds with the Catholic Church. The reason is that our congregation had also participated in the formulation of the SZDSZ's church policy concept, which is probably what has led them to see us as adversaries and in some cases perhaps even as enemies. The local governments that have come under church pressure do not tolerate us too well in these parts, including among other places in Budaors, Balatonfured and Esztergom. The MDF-member mayor of the 3rd district has recently written to Vasas, asking them to cancel their lease agreement with us because the masses attending our church services were harming the environment. This letter and method are reminiscent of Bolshevik times.

[Dalia] Have you heard the rumor that the congregation is financed by Americans?

[Nemeth] Many are saying this, even though to date we have received but a few thousand dollars from the American Christian missions, and recently, the former owner of the Dreher brewery has brought us 25,000 Bibles. It is true, however, that in difficult times they have supported us both morally and spiritually.

[Dalia] Is it true that back during those years you were taking on house cleaning jobs with your wife?

[Nemeth] We did house cleaning for the 5th district IKV [Real Estate Management Enterprise]. Earlier my wife had taught at the Erzsebet Szilagyi High School, but after she had tried to talk about religion with some of the students and handed them a few newspapers and books, she was reported and was forced to quit.

[Dalia] In one of the tabloids I recently read that you were building a luxury villa for yourself...

[Nemeth] Half of the allegation, namely that I am in the process of building, is true. Having four children, we have simply outgrown our old apartment on Diofa Street, and since we were able to sell our house in Vonyarcvashegy, which was a family inheritance, I began to build. The construction permit, however, specifies that we can expand only upwards, so we are simply raising the roof space.

[Dalia] Are you always this pragmatic?

[Nemeth] If I weren't, the Faith Congregation would not exist and flourish. Today, for example, I still have to go and talk with Vasas about a leak in the arena roof. Our management agents have not been able to get them to respond, so I have concluded that I need to become personally involved in order to find a compromise.

[Dalia] They say that many congregation members were involved in book sales when it was still big business.

[Nemeth] Indeed, but later, after the proliferation of dirty methods, extortion, and even the use of weapons, they have had to quit that field.

[Dalia] The congregation leases a sports arena, bought an athletic field, and it has its own employees. What makes this possible? They say that its 15,000 members are required to contribute 10 percent of their salaries.

[Nemeth] The congregation's annual budget is between 25 and 30 million forints, including our monthly collections, which yield about 800,000 forints in revenues. People give as much as they can afford; no one is looking over their shoulders. However, we have 60 congregations around the country, which we have an obligation to support both morally and financially.

**Party Economic Platforms Delineated**

*92EP0028A Warsaw ZYCIE GOSPODARCZE  
in Polish 22, 29 Sep 91*

[Unattributed article in two installments: "Electoral Ranking; Difficult Choice—Difficult Counsel"]

[22 Sep p 4]

[Text]

**Ownership Transformation**

- A. What kind of privatization
- B. Attitude toward comprehensive giveaways
- C. The role of shareholding

**State Industry**

- A. Tax policy
- B. Role of the state in restructuring
- C. Credit and budgetary policy

**Agriculture**

- A. Guaranteed prices
- B. Loans, subsidies, preferences
- C. Rural infrastructure

**Social Policy**

- A. Unemployment
- B. The role of the state in housing policy
- C. Scope of guaranteed public services

**Cooperation With Foreign Countries**

- A. Customs policy
- B. Exchange rate and credit policy
- C. Post-Soviet markets

**Democratic Union. List No. 54 (from "Program Resolution of the Unification Congress"—May 1991)****Ownership Transformation**

- A. Against comprehensive reprivatization. The deeds to property held by farmers as a result of land reform should be inviolable. However, a law on the privatization of the PGR [state farms] should be prepared. Compensation to be paid to previous owners who were deprived of their assets unlawfully or in violation of the nationalization law.
- B. Privatization with the participation of society—employee and citizen shareholding. The extent of giving away state assets in the form of privatization certificates should be restricted.
- C. Privatization should give preference to citizen and employee shareholding.

**State Industry**

- A. The tax reform which has begun should be completed and the tax on above-the-plan growth of wages should be abolished.
- B. Against the government imposing investment patterns and artificially stimulating selected production sectors. Mitigating the social costs of the necessary reconstruction.
- C. The interest rate is set freely in the money market.

**Agriculture**

- A. Stabilization of economic conditions and equalization of the degree of economic risk in agriculture and outside of it.
- B. Concentrating state aid on supporting technical, civil, and social infrastructure, along with the restructuring of agriculture. Credits at rates of interest below the market; the difference to be subsidized from the budget.
- C. Authentic agricultural cooperatives as an integral part of pluralistic economy on an equal footing.

**Social Policy**

- A. To stimulate private enterprise in order to restrict structural unemployment, as well as unemployment induced by trends. To develop regional restructuring and retraining programs. To "maintain" a proper ratio between minimal wages and unemployment benefits.
- B. To convert the housing sector to market operation, but to legally protect tenants against the arbitrariness of landowners. To create a system of designated, personalized financial aid for those building or buying their first apartment (cheap credit).
- C. Availability of health care services to all. The law and the financial system of education should facilitate the development of private and public schools. Equal opportunities in access to education.

**Cooperation With Foreign Countries**

- A. Eliminating differences in conditions for the operation of foreign and domestic capital; bringing legal regulations for economic operations into conformity with international, especially EEC standards.
- B. An administratively set and stabilized rate cannot be a substitute for a stable monetary policy and a balanced budget.
- C. In relations with the USSR and the independent states emerging from it, we should combine determination concerning principles with tactical flexibility.

**Labor Solidarity. List No. 3 (from "Program Theses for a Discussion"—November 1990)**

**Ownership Transformation**

A. Only in cases where the law was violated; compensation in the form of securities.

B. Mass giveaways may entail dramatic social, political, and economic consequences. Instead of the comprehensive grant of property to citizens, the expropriation of society in favor of a handful of privileged (richest) individuals and foreign capital may come about.

C. Employees of state enterprises should be entitled to facilities and preferences when "their" enterprises are privatized.

**State Industry**

A. The value-added tax, the personal income tax, and the profit tax should be the backbone of the tax system. A reform of the tax on above-the-plan growth of wages.

B. and C. This role should be great and vigorous. Methods of operation should not undermine market logic, specifically: subsidies and tax relief, credit guarantees and loans at reduced rates of interest, government orders and direct investments from budgetary funds, and official prices in extreme cases. Support for exports.

**Agriculture**

A. In the next several years, minimal prices, official procurement prices for two or three main products (grains in particular) should be used which should ensure a level of farm income in an appropriate proportion to the income of the nonfarm population.

B. Subsidization of basic types of foodstuffs for social considerations. Subsidization, as an exception and on a temporary basis, of the means of production for agriculture with a view to stimulating their use. Selective tax preferences for investments. Cheaper credit within the framework of the generally positive interest rate.

C. The state should favor the development of private enterprise offering services to agriculture (also within the framework of the program for combating unemployment) and the rebirth of Polish cooperative traditions.

**Social Policy**

A. Production should be stimulated in such a manner that the number of the unemployed would not exceed 1 million, and the duration of being without a job—the time needed for retraining, i.e., one year.

B. While not negating market rules in the housing sphere, we should not abandon rent control and the setting of standard sizes of subsidized apartments. Tenant protection should be maintained in a modified form. We cannot allow homelessness as a social phenomenon to emerge.

C. The extent of benefits established in a social contract. Against the advancing commercialization of the education system. Against spontaneous and flawed commercialization of health care. In favor of introducing small fees for medical consultations and drugs on the condition that compensation will be paid, and in favor of creating a system of health insurance.

**Cooperation With Foreign Countries**

A. It should be an instrument of economic policy, especially structural policy, and should protect the sectors which the state would benefit by supporting, especially the sectors which may be the basis for serious expansion, and agriculture.

B. The convertibility of the currency has been paid for by the highly overvalued exchange rate of the dollar and other currencies. This has caused imports to stop putting competitive pressure on domestic producers and to begin destroying domestic manufacturing.

C. Exports to the USSR should not be curtailed despite enormous difficulties in importing from that country. Within reasonable bounds, it is worthwhile to make advance export deliveries against future deliveries of raw materials, taking into account credit ties to the EEC.

**The Center Accord. List No. 12 (from "Program Materials Adopted at the First Congress of the Center Accord" in March 1991)**

**Ownership Transformation**

A. Assets in kind should be returned to previous owners. If this is impossible, the principle of compensation in the form of certificates giving the right to purchase the shares of this enterprise at preferential rates should be introduced.

B. Radical privatization of state assets. Small-scale privatization of medium-sized industrial enterprises, shops, and service establishments within one year. Within three years, one-half of all state enterprises should be privatized through all techniques: capital, employee, and citizen [stock ownership].

C. The "acquired rights" of the work forces and their participation in making decisions affecting employee rights should be respected in privatized state enterprises in which self-management bodies are active.

**State Industry**

A. The profit tax on enterprises should encourage development, that is, 50 percent of the cost of investment projects and capital investment should be deducted from the base of taxation.

B. The smaller role of the budget as a tool of the economic policy of the state. Preferences mainly for monetary and credit tools, and, to a smaller degree, fiscal tools. The share of the state sector in the distribution of

the national income should be restricted to 25 percent within five years (to be guaranteed by legislation).

C. Restricting the role of the budget an instrument of economic policy.

#### **Agriculture**

A. ? [as published]

B. and C. Preferential loans with extended guarantees, especially for purchasing land. An effective regional policy: aid to agriculture in the area of the so-called eastern and western walls, including tax relief, additional investment and preferential loans for investment in the infrastructure, including water supply, telecommunications, and services.

#### **Social Policy**

A. Inevitable in a market system. The tax policy should favor investments creating jobs at small and medium-sized enterprises. Increasing professional and geographical mobility. The ultimately autonomous unemployment insurance fund.

B. Gradual movement toward economically set rents. Extra payments to the poorest instead of maintenance subsidies. Financing based on mortgage loans. The state supports inexpensive municipal construction.

C. Mandatory and free education in elementary schools; free education in secondary schools. Varied types of schools. Necessary and effective medical aid in dangerous situations, regardless of one's affluence.

#### **Cooperation With Foreign Countries**

A. Protective duties on the imports of subsidized foodstuffs, reduction of customs duties on agricultural machinery, fertilizer, and pesticides. Giving foreign investors an opportunity to transfer profits mainly when engaging in production undertakings.

B. Floating exchange rates at the level of equilibrium in the supply and demand for a given currency.

C. Post-Soviet markets should become an important area for the expansion of our economy. Dollar-denominated trade with the USSR should be maintained.

**Polish Peasant Party. List No. 2 (from materials under the title "What Kind of Poland We Want"—program documents dated 29 June 1991)**

#### **Ownership Transformation**

A. Nationalization laws, including the law on land reform, not to be violated.

B. Against the spontaneous privatization of enterprises when their assets are appraised arbitrarily; in favor of introducing forms of a universal grant of property to society.

C. Preferences for farmers in the process of privatizing enterprises serving agriculture.

#### **State Industry**

A. The tax system should not undermine domestic production or favor spontaneous market forces. Tax relief should provide incentives for investment and progress.

B. While stimulating the restructuring needed, the state should see to it that the assets of state enterprises are fully used (among other things, through its financial policy).

C. The stocks of goods will not be moved on to trade, and growth trends will not be stimulated, in the absence of loans for wholesale and retail. This may be resolved by means of a one-time interest-free loan given to all credible enterprises.

#### **Agriculture**

A. The use of guaranteed, minimal procurement prices for basic farm products.

B. Preferential credits for the development of an infrastructure, development of farms, and purchases of current assets. Subsidies for progress, social security, and certain infrastructural elements.

C. Rebuilding cooperatives, especially in the foodstuffs sector, as a form of self-defense against the domination of monopolies in trade, services, and banking services.

#### **Social Policy**

A. The inevitable unemployment should not be viewed as a factor of economic development.

B. Legal and economic simplifications in obtaining lots for construction and favorable credit conditions for all types of construction.

C. Stabilization of the sources of financing for public services at a level which guarantees at least their standard to date. Free education. Partial commercialization of the health service; restructuring the system of social security and ensuring its comprehensive character.

#### **Cooperation With Foreign Countries**

A. Protection of the domestic market of foodstuffs; preferences for the import of investor goods.

B. Preferences for the imports of technology.

C. Reestablishing Polish presence in the eastern market, especially in agriculture.

**Democratic Party. List No. 8 (from "Election Program" adopted by the Main Council of the Democratic Party on 20 July 1991)**

**Ownership Transformation**

A. Should apply exclusively to assets unlawfully taken over by the state. A one-time payment of damages in the form of certificates or shares should be guaranteed through legislation for the owners whose assets were confiscated legally. This process should be financed with the funds generated by comprehensive privatization.

B. Yes, under public control.

C. ? [as published]

**State Industry**

A. The tax on above-the-plan growth of wages which is a disincentive should be replaced by a loophole-free system of personal taxes.

B. and C. In the process of restructuring, it is necessary to synchronize actions involving the elimination of unprofitable enterprises (mainly in heavy industry) with the creation of new enterprises, primarily in light industry (textiles, garments) and in the consumer goods industry. Foreign credits and domestic capital should be channeled there.

**Agriculture**

A. and B. A farm policy which will ensure a worthy standard of life and work for farmers through the use of monetary and credit instruments and other instruments (intervention purchases by the state) supporting the development of a market of farm products.

C. ? [as published]

**Social Policy**

A. Active counteraction by the state. A system of economic instruments should support all forms of retraining and going into business for oneself.

B. Maintenance fees and the payment of interest cannot exceed the financial potential of an average family.

C. To proceed in reforming the health care system by creating a market of medical services, privatization, and competition. The health care system will be financed through the budget, with additional financing obtained from the insurance system. The education system should ensure comprehensive secondary school education.

**Cooperation With Foreign Countries**

A. The principle of free trade and navigation. As a transit country, Poland ensures the freedom of traveling or flying across its territory. Restrictions on so-called unfair competition on the part of imported foodstuffs.

B. Credits extended by international financial organizations should be channeled primarily to light industry (the

textile and garment industries) and food and farm product processing industries.

C. The benefits of Poland joining the West should not reduce our involvement in arranging for the best possible relations with our neighbors in the East. Ties to the Soviet Union should be built on the basis of new treaties with a mutual respect for sovereignty.

According to preliminary data by the State Election Commission, 7,328 candidates will take part in the October election to the Sejm, and 607 people in elections to the Senate. This means that about 16 people will compete for each deputy seat, and six will compete for each Senate seat. A short description of parties and groups included in the "ranking" follows below.

The **Democratic Union** was formed on 2 December 1990 by a merger of groups supporting the candidacy of Tadeusz Mazowiecki in last year's presidential elections. Among others, the Forum of the Democratic Right, the Citizens Movement-Democratic Action, and election committees became its members. Tadeusz Mazowiecki is chairman of the Democratic Union; Wladyslaw Frasyniuk, Aleksander Hall, and Jacek Kuron are deputy chairmen.

Three hundred and sixty-one people will participate in elections to the Sejm, and 86 people in elections to the Senate.

**Labor Solidarity.** The Political Community "Labor Solidarity" emerged in the course of work on an alternative to the concept of reforms implemented by the governments of Tadeusz Mazowiecki and Jan Krzysztof Bielecki. In April, some of the OKP [Citizens Parliamentary Club] parliament members supporting the "Labor Solidarity" program created their own parliamentary circle. At the same time, the first local political clubs of "Labor Solidarity" were formed. On 12 September, the "Labor Solidarity" association was registered. Its temporary authorities are Ryszard Bugaj, Andrzej Milkowski, Karol Modzelewski, and Marek Krankowski. In the elections, "Labor Solidarity" is running together with the PPS [Polish Socialist Party]. One hundred and seventy-three people are candidates for the Sejm, and three people for the Senate.

The **Center Accord** is a Christian Democratic party. It was formed on 2 March 1991. Its members come primarily from the trade union movement of the NSZZ Solidarity and citizens committees. Jaroslaw Kaczynski is chairman of the Center Accord, and Przemyslaw Hniedziewicz, Adam Glapinski, and Marcin Przybylowicz are deputy chairmen. Three hundred and sixty-six candidates will run for the credentials of deputies, and 72 people will run for Senate seats on the ticket of the Center Citizens Accord (which consists of the Center Accord, citizens committees, "Heritage," and the Popular Forum).

The **Polish Peasant Party** considers itself a centrist party. It was formed at the PSL [Polish Peasant Party] Unity

Congress in May 1990 from the PSL "Rebirth" and the so-called Wilanow PSL. The PSL-Program Union list includes the names of the entire PSL leadership, among others—Chairman Waldemar Pawlak, Chairman of the Main Council Jozef Zych, as well as Roman Jagielinski and Aleksander Bentkowski. Three hundred and seventy-eight candidates for deputies and 65 candidates for senators are registered on the lists of the PSL-Program Union (to which the ZMW [Rural Youth Union] and agricultural circles belong).

By virtue of its charter, the Democratic Party is a party of Polish democrats building on the Polish thought and character of democratic movements. The Democratic Party was formed in the 1930's, in the Second Republic. The Congress, convened once every four years, is the supreme authority of the Democratic Party, and between congresses—the Main Council which is headed by Aleksander Mackiewicz. The party is fielding 371 candidates for deputies and 29 candidates for senators.

[29 Sep p 4]

[Text]

**Democratic Social Movement. List No. 30 (from the study entitled "Bringing the Future Closer—A Synthetic Program")**

**Ownership Transformation**

A. Privatization should be preceded by the creation of a trust fund with a share held by the labor force; a plan of curing the enterprise. Small and medium-sized enterprises should be sold as soon as possible. Simplified appraisals of enterprises with fewer than 1,000 employees should be made, and they should be sold at auctions. The sale of large enterprises should be coupled with the restructuring of entire industrial sectors. The promise of [issuing] privatization vouchers should be kept.

B. To abandon the current draft of mass privatization.

C. Yes, but not as the leading forms.

**State Industry**

A. Taxes at a level approximating the current one. Cancellation of the tax on above-the-plan growth of wages in conjunction with the introduction of the personal income tax. Introduction of investment preferences. Powerful restrictions on the growth of income keeping it lower than the growth of productivity. Stepped-up law enforcement in the sphere of taxes (the Tax Police).

B. Setting in motion of restructuring programs which embrace entire economic sectors, in particular banking, agriculture, and construction, and also the coal, textile, and metallurgical industries. A considerable segment of financing should be provided by loans.

C. Credit should be expensive, with the exception of new undertakings, housing construction, farmers, and exporters. The interest rate should fluctuate around positive in real terms.

**Agriculture**

A. The state should stabilize conditions for the production and sale of foodstuffs which should become Polish specialties. The profitability of expensive output should not be increased artificially.

B. Unlimited access to bank loans on favorable terms for farms which increase their size and output, guaranteed by the state if need be. Active state assistance to farms abandoning uncompetitive types of products. Tax relief, credit guarantees, and even subsidies for supporting the processing of meat, fruits, and vegetables.

C. State aid to creating jobs for those leaving agriculture (primarily in agricultural services) through the construction of needed infrastructural facilities and financial and consulting assistance.

**Social Policy**

A. It is a prorecession and antiefficiency factor. The state should counteract unemployment and help the unemployed.

B. This should be a significant sphere for restructuring activities by the state. Rapid development of private companies should be made possible by allocating areas for construction to them. A modern financing system in the form of mortgages should be introduced.

C. Schooling up to the high-school final examination free of charge. Health care and public welfare operating in part on a commercial basis. However, the basic network should be subsidized by the state and the gminas.

**Cooperation With Foreign Countries**

A. The current and future guidelines, regulations, and institutions of the EEC should be the target model for Poland. A timetable for opening up and adjusting needs to be confirmed by the parliament. A similar arrangement should be made with the countries of the European Free Trade Zone [as published] and Hungary, the Czecho-Slovak Federal Republic, and the USSR.

B. The rate should be adjusted as incomes (but not prices) inside the country increase in order to ensure the continuous growth of profitable exports and protect domestic production against abrupt changes in prices for imported products.

C. They have been and will be large markets for the Polish economy. We should conduct negotiations on mutual preferences and facilities with the USSR and the republics more vigorously. We should support initiatives to set up joint enterprises, primarily commercial.

**Liberal Democratic Congress. List No. 32 (from "Program Documents," November 1990, and "Electoral Declaration Adopted by the National Conference of the Liberal Democratic Congress")**

**Ownership Transformation**

- A. Constitutional guarantees for private property. Privatization vouchers should become an important instrument for extending ownership rights on a mass scale. Reprivatization to be restricted to enterprises which were taken over in violation of law. Against reprivatizing land estates.
- B. Comprehensive giveaways are suitable for use as one of several ways to privatize.
- C. "No" to employee shareholding elevated to the status of a systemic principle.

**State Industry**

- A. In favor of regulatory restraint. Relaxation of financial rigors, including the tax on above-the-plan growth of wages, as privatization advances.
- B. An aggressive approach by the state to the problem of restructuring. A limited dose of state control and intervention which implements this process in installments and cushions its social consequences.
- C. A restricted credit policy which does not create money. The state banking cartel should be broken up, and banks should be privatized.

**Agriculture**

- A. Guaranteed prices should be rejected as running counter to the idea of a market economy. Price negotiations at the level of gmina unions or PZZ [State Grain Elevators] are permissible. However, prices should always be the result of the ratio of supply and demand, and competition.
- B. Loans at as low rates of interest as possible. The rate of interest to be set by banks only. No "special" loans of any kind are permissible. The smallest possible extent of subsidies. Export support payments may be made. Yes to investment preferences, especially in processing.
- C. Compensation to be paid to farmers who do not engage in production on small and inefficient farms.

**Social Policy**

- A. Special investment zones in locations where the only large enterprise goes bankrupt. Benefits to be differentiated by region, restricted, and verified at the gmina level.
- B. New legal regulations concerning the eviction of residents from apartments, land sales, and mortgages. Freedom to add to, remodel, and adapt multifamily housing. Local real-estate tax commensurate with the standard [of the dwellings].
- C. As small as possible.

**Cooperation With Foreign Countries**

- A. The opening of borders which makes it possible for capital to circulate and for modern technologies to be transferred. Tariff unification. Moderate level of customs protection for domestic products. Stability.
- B. The protection of a stable currency as a value in its own right. Increasing the participation of foreign capital in the rebuilding of our economy, in particular agriculture and housing.
- C. To establish economic relations with Russia and other countries. To use barter. To join the international system of economic aid in the sphere of foodstuffs, medicines, and textile products.

**Social Democrats of the Republic of Poland. List No. 60 (from the socioeconomic program under the title "A Poland of Progress, Law, and Democracy"—March 1991)**

**Ownership Transformation**

- A. Equal rights for all property forms. Inviolability of the provisions of land reform and nationalization laws. Return of assets taken over in violation of law in the form of capital vouchers for purchasing stock in privatized enterprises.
- B. Against spontaneous and uncontrolled privatization of the most effective state enterprises and voluntaristic appraisals of their value by foreign experts free from control by the Sejm. "No" to giving away shares of state enterprises free of charge.
- C. Resolutely in favor of shareholding by both labor forces and citizens. Employee shareholding as an element of the concept of privatization.

**State Industry**

- A. Elimination of the tax on above-the-plan growth of remunerations since it reduces the incentive function of wages and prolongs the recession.
- B. To increase the funds of the Agency for Industry Restructuring and to gear its actions mainly to assist export-oriented modernization and restructuring, primarily catering to the Soviet market. To use foreign credits better.
- C. To expand the scope of loans at preferential rates of interest for selective investment in designated economic sectors. To change the source of budgetary revenue by increasing the turnover tax on luxury goods. To curtail consulting services by Western experts and consulting companies which cost the budget a lot.

**Agriculture**

- A. To expand the intervention purchases of farm products (mainly through the Farm Market Agency) and to make them more flexible.

B. Preferential loans for purchasing means of production (especially fertilizer and energy carriers), upgrading farms, and the adjustment of farmers to a market economy.

C. Financial support by the state for the creation of technical infrastructure in rural areas (roads, telecommunications, health care, social welfare, culture, and education) and employment opportunities in the rural areas outside agriculture.

#### **Social Policy**

A. An active employment policy which prevents mass unemployment. Financial aid to individuals who are retraining and simplifications for migration. Job protection for single mothers, sole providers, handicapped, and invalids.

B. Mortgage loans (for construction and repairs), revalorized as the value of the buildings grows, should provide the foundation for financing and developing housing construction.

C. A system of universal education and studies free of charge. Preserving the principle of universal access to public, cooperative, and private health care facilities. Drugs and services to be paid for with social security funds.

#### **Cooperation With Foreign Countries**

A. Protection of domestic farming against imports of products, particularly those subsidized by foreign exporters.

B. A floating exchange rate of the zloty [Z]. Favorable credits of the World Bank should be used better.

C. In favor of preserving and developing economic cooperation with the countries of East Central Europe which previously belonged to the CEMA. Particular attention should be paid to enterprises specializing in exports to the USSR.

#### **Union for Real Politics. List No. 42 (from "Economic Program" prepared by the Institute of Social Cybernetics in Warsaw and adopted by the Main Council on 11 December 1990)**

#### **Ownership Transformation**

A. and B. Privatization of production assets should be effected as soon as possible and without any restrictions. Small enterprises, workshops, and stores should be put up for auctions and sold. Complete privatization of state enterprises by transforming them into joint-stock companies. About 30 percent of the shares of each company would be allocated to the Retirement Fund, 25 percent to the Reparprivatization Fund, 10 percent would be distributed to citizens, and 20 percent to the labor force (at a 50-percent discount). Land and real estate owned by the state should be returned to their former owners. Municipal assets should be fully privatized.

C. ? [as published]

#### **State Industry**

A. Instead of all current taxes, a universal tax on real estate and on the value of real estate. The remaining revenues of the state would originate from selling minerals and—temporarily—from residual monopolies.

B. The scope of state actions with regard to the complete independence of private enterprises will be reduced to a minimum. Economic ministries will be abolished.

C. The growth of the supply of paper currency in circulation may not exceed the rate of growth of the economy, and should be constitutionally restricted to this level. Additional currency may be put in circulation only by means of purchases from private companies or by extending credit to private enterprises.

#### **Agriculture**

A. ? [as published]

B. Agriculture to be treated on an equal basis with other sectors of the economy; preferences to be preserved in a period of transition. The tax on real estate will increase on a quarterly basis from zero to its full rate over three years. For six years to come, farmers will be able to use preferential credits between the spring and the fall.

C. ? [as published]

#### **Social Policy**

A. To abolish benefits within three months.

B. Each building should be made a Housing Cooperative. A compulsory and universal buyout of apartments! An active role for mortgages. Gradual (over six years) transition from rents regulated at the level of gminas (on the basis of market prices), to freely set rents.

C. Health care facilities will be privatized immediately. Private companies should take over insurance. Ninety percent of the amount spent quarterly for health care and subsidies for medicines should be split equally and paid to all citizens. Private schools and schooling at a fee. Children should receive vouchers to cover costs for several years in elementary schools.

#### **Cooperation With Foreign Countries**

A. Reductions (mutual) or elimination of customs duties; temporary preservation of protection for heavy industry and agriculture (for a maximum of six years). Elimination of customs duties on fuels.

B. The rate of exchange of the zloty into other currencies should be floating, and any interference by the government or the bank should be prohibited by legislation. "No" to the complete alliance of Poland with a socialist West Europe, which would make currencies, taxes, and regulations uniform.

C. ? [as published]

**Polish Party of Beer Lovers. List No. 63 (from "Program Theses of the Polish Party of Friends of Beer" prepared by a group of practicing entrepreneurs)**

**Ownership Transformation**

A., B., C. "It is impossible to make a competent statement on this topic in the absence of a sufficient knowledge of the status of the state, the actual status of its economy, and especially the condition of privatized enterprise. This would amount to cheating both ourselves and society." (From a statement by Andrzej Czarnecki, president of the Economic Bench, at a press conference on 20 September of this year.)

**State Industry**

A. and C. To stabilize taxes and economic legislation. Unequivocal parliamentary guarantees are also needed for the stability of the fiscal system (customs duties, taxes, fees, and so on), as well as the legal system (licenses and permits). Changes in these parameters cannot be abrupt; they should be accepted by the parliament.

B. To change proportions between production and trade in the economy. At present, trade is primarily practiced which brings about a catastrophe—millions of people left without jobs. We should follow the proven example of Ireland which successfully changed these proportions while at the same time promoting production by using a 10-percent profit tax on enterprises while maintaining a 40-percent tax on other spheres of activity.

**Agriculture**

A. and B. Farmers cannot be left to face the high seas of a free market alone. A program for transformations in agriculture and rural areas should be approved by the farmers, particularly young people.

C. In a modern agriculture, which is the objective, only some farmers will find a niche. Other job opportunities should be provided for the rest in food processing, rural services, and tourism. Mechanisms which speed up the mergers of farms are necessary. We should capitalize on the position of Poland and develop food exports.

**Social Policy**

A. The development of production should reduce unemployment. The 10-percent profit tax on enterprises provides a fundamental development opportunity.

B. The tax and fiscal system (special government projects, credit lines, and so on) should make construction the most lucrative business for at least 10 years.

C. There should be no saving in education, by reducing its scope and lowering its standards. A school reform should strive to modernize education, improve its quality, and adapt it to the needs of a long-term economic strategy.

**Cooperation With Foreign Countries**

A., B., and C. Everything depends on a strategy which on key issues of this nature should be above party lines. In particular, we need to answer the following questions: Do we consider it feasible for Polish industrialists to be interested in particular in penetrating the Soviet market (trade and our own investment)? Do we want foreign capital to come to Poland on a limited scale, or without restrictions? What should the position of Polish capital be compared to that of foreign capital? Do we want Polish industrialists to enter into capital arrangements in EEC countries? The answers should be the inviolable 10 commandments for the Polish reason of state.

How much can an election campaign cost? According to the election law, at the most 60 times the average wage in the six main sectors of the economy, or about 105 million zlotys, may be spent for a propaganda action to advertise candidates on one district list. A minute of election programming on TV costs between 10 and 45 million zlotys. Radio is cheaper—it costs about 3 million zlotys between 1600 and 1700 hours.

The **Democratic Social Movement** is a center-left party representing the interests of working-class communities. It was created by a group of ROAD [Citizens Movement-Democratic Action] activists at a congress in January 1991. The Coordinating Council leads the efforts of the party. The Council is headed by the chairman who at the same time is the chief of the National Board. Zbigniew Bujak is chairman of the Democratic Social Movement.

Ninety candidates will run for the seats of deputies.

**Liberal Democratic Congress.** The party founded in June 1990 has a strong right-wing orientation. It represents the interests of large-scale domestic and foreign capital. It is a candidate for member of the Liberal International. Headquartered in Gdansk. The Political Council is headed by Jan Krzysztof Bielecki; Donald Tusk is the chairman of the Main Board. The leaders include Janusz Lewandowski, Andrzej Arendarski, Zbigniew Rokicki, Jacek Merkel, Lech Mazewski, and Andrzej Machalski.

Three hundred and forty-eight candidates are running for seats in the Sejm, and 31 people for seats in the Senate.

**Social Democrats of the Republic of Poland.** The party was formed in January 1990 on the ruins of the PZPR [Polish United Workers' Party]. The Congress which elects the Chief Board is the highest authority of the party. The party is lead by Aleksander Kwasniewski. Leszek Miller is the general secretary of the Central Executive Committee. The party is taking part in the elections within the Union of the Democratic Left along with, among others, the OPZZ [All-Polish Trade Union Agreement], the Parliamentary Club of the Democratic Left, the ZSMP [Union of Socialist Polish Youth], the Democratic Union of Women, and the Movement of the Working People. It is fielding 390 candidates for the

Sejm and 72 candidates for the Senate. Włodzimierz Cimoszewicz is their election vehicle.

**Union of Real Politics** has existed since 1989. It is a party with a conservative-liberal orientation. The largest groups of its members are found in Warsaw, Krakow, Wrocław, and Poznań. The holding of government positions by members of the union is prohibited. Janusz Korwin-Mikke is the chairman of the Main Council. Professor Andrzej Stankiewicz and Wojciech Merklejn are deputy chairmen.

The Union is fielding 290 candidates for the Sejm and six people for the Senate.

**The Polish Party of Beer Lovers** has existed since late 1990. It was set up on the initiative of journalists and readers of the PAN [Polish Academy of Sciences] monthly. The PPPP [Polish Party of Beer Lovers] is headed by the president and the Supreme Bench, and District Beer-Drinking Benches operate locally. Janusz Rewinski was elected president at the Founding Congress in April 1991.

One hundred and twenty-eight people from 36 districts are running for the Sejm.

#### Elections Elicit Party Views on Economic Issues

92EP0027A Warsaw ZYCIE WARSZAWY in Polish  
17, 24 Sep 91

[Article in two installments by Urszula Szyperska including statements by various party leaders; previous installments from this series published in JPRS EER 91-150 and JPRS EER 91-154: "Elections 91: Proposals for the Economy"]

#### [17 Sep p 4]

[Text] Most of the parties seeking our votes in October elections to the parliament favor a free market, a stable, convertible currency, overcoming the recession, increasing real incomes, and in general transforming Poland into an economically developed country. However, they have different views on how to achieve these goals, and their programs cater to different social groups. The five points of our questionnaire are intended to grasp the differences between the programs of the most significant parties. We have asked our interlocutors about the following: their attitude toward a program of comprehensive privatization, the scope of state intervention, fiscal policy, ways to combat a recession, and their attitude toward the tax on above-the-plan growth of remunerations.

Deputy Ryszard Bugaj, chairman of the Provisional Council of the Association Labor Solidarity, has the floor:

—The domination of the state sector is absolute. This is why we accept the privatization of state enterprises. However, we believe that the emphasis should be shifted

to the privatization of small and medium-sized enterprises, in particular, those in the worst financial shape. In the case of small enterprises, it would be quite easy to find a specific owner, entrepreneur who would effect improvements. In the case of large enterprises, privatization would mean the emergence of a tremendous number of widely dispersed shareholders. Management in its entirety would remain the responsibility of managers. This could produce good results if a developed capital market existed which subtly influenced the behavior of enterprises. However, such a market does not exist in our country.

In the environment of a deep recession, the privatization of large enterprises amounts to, among other things, giving away sizable state assets at discount prices, even if the appraisals are honest. If we allow foreign capital to take part in privatization (after all, we cannot exclude it) we will effect a transfer of our national wealth abroad at half of the actual price.

In turn, our attitude toward so-called universal privatization, or giveaways, is very unfavorable. In our opinion, the giveaways will bring about the concentration of capital in the hands of a few within a short period of time. The supply of shares will be high because the people lack money for current consumption. This is why prices are likely to be very low in the secondary market. They may amount, for example, to one-fifth of the face value. As a result, this entire operation billed under the slogans of social justice will change into its complete opposite. A tremendous conflict will develop between those who will feel cheated and those who will have reaped benefits. This conflict will divide and pull Poland apart for many years to come. The issue of *nomenklatura* companies may become an insignificant trifle by comparison.

The application of the purely manager-oriented model of management associated with the privatization program may also become a source of acute conflict. I cannot imagine the work force not having an influence on managing the enterprise in a European country in the second half of the 20th century, especially if the enterprise has been state-run to date.

—I am not aware of a single case when the economy of a country overcame backwardness exclusively by using market mechanisms. The examples of the Asian "tigers" or Japan at the end of the last century and the beginning of this century suggest that the state has always played a large role in such processes. We should proceed from this experience rather than design our system on the basis of neo-classical economic textbooks.

Methods for exerting influence by the state are well known. Tax relief for investors, programs of export promotion, and adequate customs policy, support for selected sectors of production by means of government orders, scientific research, and so on are necessary.

—Contrary to appearances, our "welfare state" was not built up, and there is little leeway for reducing this

"umbrella." However, it is worthwhile to make changes in the structure of social expenditures. For example, I consider the fact that we spend less and less for education which promotes economic growth and more and more for unemployment benefits to be dramatic.

Taxes cannot be too low: This could doom us on the one hand to conspicuous consumption by those earning the most while on the other hand the inert existence of the economy and lack of funds for investment. For a long time to come, Poland cannot count on economic development, which would be exclusively the effect of private savings allocated to investment. So far, there have been no indications to this effect: For example, last year investment in the private sector declined by 15 percent. Therefore, the state must appropriate a segment of the surplus and allocate it for economic development. This has been the case in many countries that overcame economic backwardness, and I do not see an alternative to this.

—We have developed a 15-point program for extempore antirecession measures. In the process, we proceeded from the conviction that in the short term, the economic situation hinges on state enterprises. Therefore, curing state enterprises is the basic condition for a rapid improvement. In the long term, privatization may be of decisive significance. However, in the short term it would rather exacerbate the recession.

We think that quick, emergency-response actions are needed. For example, I believe that we shall take a look at the 100 large enterprises threatened by bankruptcy. Following this, we shall take a manly decision on the ones to which, for example, conversion or forgiving a segment of taxes will be applied. The enterprises will not pay up anyway if they go bankrupt. Who will take over their assets in these cases? We also propose extempore actions associated, for example, with the dividend. These would consist of urgently setting up a state agency which would take over the production assets of enterprises which are in continuous disuse. It may so happen that the agency will not be able to sell them either, and the assets will have to be written off. However, why should the assets be millstones around the necks of enterprises?

—Can wage reductions be an engine driving the economy? Can they result in the growth of output? The current restrictions are drastic. Therefore, we shall take the risk of relaxing the rigors. However, this needs to be carefully done, and only within the framework of a more extensive program. In the longer term, the level of output should determine wages. Either we overcome the recession as soon as possible or the level of real wages in Poland will be very low. There is no opportunity to increase real wages at the expense of reducing accumulation in production. The decline of investment is also too great. We may and should consider increasing these wages at the expense of other incomes, for example,

greater withholdings from higher incomes of a speculative nature. However, overcoming the recession remains a key to improvements.

[24 Sep p 4]

[Text] Aleksander Mackiewicz, chairman of the Democratic Party, has the floor today:

—Privatization should be viewed together with reprivatization on which we took a stand in our election platform and in our economic program adopted at a congress of the party. We believe that reprivatization should extend only to the areas and cases in which the Communist state broke the law. However, reprivatizing large land estates or industrial enterprises does not appear possible. Such an operation would cause so many legal complications, tensions, conflicts, and such a feeling of being wronged associated with, for example, the right of prescription that this would completely outweigh the possible benefits.

Workshops and small factories should be reprivatized. In many cases, they can be recovered in rural areas and in small cities. In large cities, they have generally ceased to exist. In this case, we may discuss the issue of land on which they stood and use various solutions (for example, payment to the owner). We believe that all matters should be treated on a case by case basis, and that compromise solutions, the golden middle, should be sought.

We also favor universal privatization. State assets should be given to society because they have been created by society. The reason we are poor today is that for years the state paid us poorly and amassed the entire accumulation under its control. How to conduct privatization and how to schedule the entire operation over time are the only outstanding issues.

As we think, upon the appraisal of the assets the people should be offered vouchers or bonds with a certain established face value. The citizens would receive them from the state treasury as compensation for living in poverty for 40 years. The state should ensure the repurchase of these bonds (or vouchers) at a certain point in time. Funds for the repurchase would be generated by privatizing enterprises, drawn from the profits which the issuance of the shares would bring. I believe that privatization should not be tied to the processes of industrial restructuring, to specific enterprises and their operations. It should be exclusively an obligation of the State Treasury to our society.

—The state should be an active participant in changes which are occurring in the economy. It must pursue a resolute industrial and agricultural policy, and protect sectors which are being destroyed by foreign competition. For example, it is known that our agriculture does not stand a chance in competition with the heavily

subsidized agriculture of developed countries. Intervention by the state in this sector is necessary also for considerations of a higher order associated with our sovereignty.

This has to do with the state steering the process of adaptation to the world economy. Obviously, along with sectors which need to be protected there are ones in which we may agree to complete competition, for example, in the automotive industry: There is nothing to say that we should manufacture cars. However, light industry and food processing are a different matter. It is possible to quickly restructure and upgrade these sectors, and make them competitive. Two or three years will be enough provided these industries are supported by means of investment preferences, foreign loans, and easier access to domestic loans. At present, it is easier to engage in an affair going into trillions at a bank than to get a loan to upgrade an enterprise if the latter is not sufficiently secured. Meanwhile, there is no institution which would ensure loans.

The state should guarantee the peasants an opportunity to sell their products, in particular grain. The farmers should be certain that if they sow something they will sell the produce. If the farmers want to generate windfall profits the state may restrain such leanings through emergency imports. Grains, especially wheat, are a strategic sector; the state should become involved in it in a continuous and resolute manner.

—Poland has never had a good, integral tax policy. The Solidarity government has not created it either, whereas the loopholes which emerged in the tax system have recently caused horrible machinations. I believe that we should switch to the Western model of taxation. We have already wasted two years. Meanwhile, it would have been enough to borrow, for example, the Swedish or the West German system.

Taxes cannot be too high because this depresses economic activity. On the other hand, they should provide revenue for the state budget. Therefore, we come out in favor of weighing the proportions, of a golden middle. First of all, we come out in favor of an economic recovery because the amount of revenue from taxes which the budget will have hinges mainly on this recovery.

—Competition with the foreign market has put the Polish economy through a hard test which it has failed. The magnitude of the recession is known. Under the circumstances, we should resort to selectively protecting certain production sectors, which I have already mentioned.

In the West, the protection of jobs is considered very important. Even foreign assistance based on sending experts to Poland amounts to a certain degree to protecting their jobs. In our country, the belief is that unemployment will improve respect for work. This is true to a degree, but unemployment resulting from a complete collapse of enterprises and cutting production

back by 30 to 40 percent is a road to nowhere. It is hard to get back on your feet after this loss.

We think that new jobs may be created mainly at small enterprises: small-scale industry and services, provided, of course, that investment preferences and more favorable credit are ensured for them. The state should make use of such instruments. Monetarism may be good in a stable economy where profound changes do not have to be made, and economic activity does not have to be stimulated. I believe that modest inflation has greater benefits than a protracted structural recession.

—The tax on above-the-plan growth of remunerations should be repealed. Enterprises should have incentives to act.

### Present State of Trade With Soviets Viewed

92EP0002A Warsaw GAZETA BANKOWA in Polish  
No 36, 8-14 Sep 91 p 11

[Interview with Sejm Deputy Edmund Krasowski, member of the Sejm Commission for Foreign Trade and Maritime Economy, by Jacek Barczyk; place and date not given: "In Pursuit of Rubles"]

[Text] [Barczyk] Mr. Deputy, what does the balance of last year's trade with the Soviet Union look like?

[Krasowski] What I say will sound paradoxical because our trade balance is favorable and the losses which we have borne by virtue of this already amount to approximately 15 trillion zlotys [Z]. This is due primarily to the keeping of the official exchange rate of the ruble in Poland at about Z2,100. This high figure is, of course, a minimum sum. The actual amount of the losses may be much larger, particularly because the so-called additional export to the USSR, expanding the exchange ensuing from intergovernmental agreements, has totaled approximately 7.4 billion transferable rubles.

To this we can add the losses stemming from the relationship of the world prices of energy and materials to the value of these factors in goods and services exported to the USSR. The final accounting has shown that in this way we granted our Eastern neighbor loans amounting to \$1.5 billion. These figures have been totally confirmed by the Institute for the Study of Foreign Trade Business Cycles and Trends in Warsaw. It had previously warned of the disastrous consequences of initiating additional export.

[Barczyk] How did this problem arise?

[Krasowski] This problem arose from the assumptions by which premier Tadeusz Mazowiecki's government was guided in its foreign trade policy with the Soviet Union. Through the additional foreign exchange, it wanted to maintain the activities of state enterprises which were connected, by production, with our Eastern partner. It was feared that if the government stops

subsidizing these firms, they will be faced with bankruptcy, and that would cause social tensions. And let us not forget that this took place just before the presidential campaign. Mazowiecki was able to delay this process for one year, because already in January 1990, at a session of the CEMA Council in Sophia, a decision was made to introduce settlement of accounts in dollars in trade between member countries beginning 1 January 1991.

[Barczyk] The money allocated for subsidies to plants producing goods for the USSR market could have been allocated for the restructuring of these plants.

[Krasowski] I said many times on the floor of the Sejm that we should prepared ourselves for this. Last year this could have been done, even at the expense of some social tensions. But these were decisions more political than economic. Attempts were then made to block additional export to the USSR by devaluating the ruble to the zloty. But Main Office of Statistics studies show that this did not slow down this procedure. Its mechanism was based on the fact that the goods exported to the Soviet Union were sold according to the market value of the ruble, approximately Z400; however, after transfer by the International Economic Cooperation Bank in Moscow to the Bank of Commerce SA, the rubles were calculated at the official rate, i.e., Z2,100. In the assumption, the accounts-settlement of this additional export was to have been calculated according to the market value of the ruble. But over 85 percent of the transactions were settled at the official rate.

Furthermore, many firms had official permission to export according to these prices, despite the fact that their transactions did not fit in the export quotas ensuing from previously signed agreements.

[Barczyk] Was there a certain specific mechanism for such transactions?

[Krasowski] Practically, it should have been possible to make the payments into an account in the Moscow Bank for Foreign Economic Cooperation, and the Bank of Commerce in Warsaw made the exchange automatically.

A decision was also made that due to delays in executing trade agreements, payments will be made up to March of this year. That is why, since 21 December of last year, an additional 2.5 billion transferable rubles came in. This sum also included half a billion rubles paid by Soviet firms for the implementation of deliveries of Polish goods and from Poland in 1991, that is, at the time the free-foreign exchange settlement of accounts rule was in effect.

In a decree issued by Mikhail Gorbachev in November 1990, he ordered that payments in foreign trade be made in cash. The question therefore arises: Why did the Bank of Commerce accept these rubles instead of dollars? According to Soviet calculations, this is a sum of \$780 million. In accepting this money, Poland obligated itself to supply goods of this value, taking, in exchange, money which had no coverage.

[Barczyk] Does this mean that trade with the USSR lies in ruins?

[Krasowski] No, trade, as such, has not collapsed, but the partner turned out to be insolvent. If Poland, last year, credited exchange with the Soviets for a sum of approximately 15 trillion zlotys, then the Soviet traders were prepared for the same system this year.

[Barczyk] Did we err in our assessment of Soviet capabilities?

[Krasowski] I always believed that the Soviet partner should not be underestimated and that the situation in the USSR should be examined on a current basis. We should have drawn certain conclusions, and I called attention to this through my entire term. Unfortunately, not everyone in the Sejm and Senate attempted to understand the basis of these relations.

It is also difficult to say that this was incompetence on our part. Very simply, the Soviets analyzed Polish policy last year and understood it better. For example, they were more familiar with our banking regulations than we were. At the same time, this does not mean that we must agree to the recorded losses in trade exchange. Some hard negotiations with the Soviet side are needed, supported by comprehensive analyses.

[Barczyk] The matters mentioned pertain primarily to export, but this problem also includes the re-export of goods imported by Polish firms.

[Krasowski] Yes, and what's more, this procedure covered many goods sold with the avoidance of the Polish customs zone. For dollars taken out of Poland, electronics equipment, textiles, and clothing was brought directly into the USSR, purchased both in the Far East as well as in West Europe. This was brought in at a price that, after transfer of rubles to Poland, would provide a relatively high profit. This is how our country lost approximately \$500 million, as the initial assessment of the Supreme Chamber of Control shows. Even this year we received billions of rubles for which huge sums were paid.

[Barczyk] Could not the parliament do something to stop this procedure?

[Krasowski] I have to admit that I spoke out on this matter many times in the Sejm. Unfortunately, no one was interested. However, within the framework of the Sejm Commission on Foreign Trade and Maritime Economy we appointed a subcommission which will investigate this matter. In addition, the Bank of Commerce no longer exchanges rubles for zlotys.

We have a list of about 100 companies which made this kind of transfer. Often these are fictitious companies, making a single transaction for large amounts and then liquidating. For the most part, they obtained export confirmations permitting the exchange of rubles at the rate of Z2,100. There are also those which cannot show invoices for the purchase of goods in Western firms, and

**POLAND**

**JPRS-EER-91-156**  
**18 October 1991**

despite this, the rubles flowed into our country. I think that we will soon publish this data.

Of course, there are people who defend this procedure, believing that the Russians will settle their accounts with us just like they did with Hungary or Czechoslovakia. There is simply the question of when, and whether a small country like Poland is able to maintain the Soviet economy.

[Barczyk] Aside from trade, the Soviets are behind in their payment for investments executed by Polish enterprises on USSR soil. How large is this sum?

[Krasowski] It is not small and amounts to 4.1 billion transferable rubles. This sum is the result of the acceptance, in accounts-settlement, of cost estimates according to Soviet prices, i.e., not consistent with world prices. This is due to a CEMA agreement in 1973. By the way, part of the dollar credit, drawn in the 1970's, went to cover costs of investments executed by Polish enterprises in the USSR. According to current prices, this amounts to \$6 billion. It is the same with the purchase of raw materials in the Soviet Union, at prices theoretically lower than world prices.

At the same time, we owe the USSR almost 5 billion transferable rubles. Even taking this into account, as far as the balance of trade is concerned it is not we who are in debt to the USSR, but precisely the opposite.

[Barczyk] What effect does the existence of a Soviet underground economy in Poland have on our losses in the trade balance?

[Krasowski] Unfortunately, we have only estimates on this. Furthermore, the losses are of a different type. The goods which are brought into Poland by Soviet tourists are sold according to their market value. We lose a lot here on customs duty as well as on taxes, but most important of all for us is the outflow of hard currency. This occurs both in individual cases and in an organized way. For the Polish economy, the shifting of intergovernmental trade onto the shoulders of tourist-dealers, often organized into strong groups, constitutes a danger.

[Barczyk] Various kinds of goods are being brought into Poland, including alcohol and weapons. Are we able to defend ourselves against this?

[Krasowski] It is not simply a question of assigning thousands of Polish customs officers. What is needed is the goodwill of the Soviet authorities and a strict policy on the part of Polish customs authorities. Perhaps similar to the treatment of Polish pseudo-tourists by the Germans.

Many goods have been in short supply for a long time on the Soviet market, meanwhile in Poland they can be bought at any bazaar.

As of the beginning of July, limited clearing and barter between Polish and Soviet enterprises has been in effect. That may help, but it is primarily in the hands of the Soviet authorities.

[Barczyk] Given these facts, does the effect of stationing Russian units in Poland have an effect on the underground economy in trade with the USSR?

[Krasowski] I can only corroborate this. The Supreme Chamber of Control is looking into this matter and I would like to withhold my opinion until the investigation is completed.

**Statistics on Denationalized Enterprises**

92EP0002B Warsaw GAZETA BANKOWA in Polish  
 No 36, 8-14 Sep 91 p 9

[Article by Stanislaw Brzeg-Wielunski: "Regional Ownership Changes"]

[Text] Reports from the Central Planning Administration and other government agencies show unequivocally that the number of state enterprises is shrinking and the number of commercial-law companies and firms operated by individuals is growing. It is characteristic that the number of cooperative plants and small firms with foreign capital remains the same. There are fewer and fewer public-sector companies on the market, while private companies constitute as much as 90 percent of all commercial-law companies. In the second quarter of this year, the rate at which new firms were being created in all voivodships declined in comparison with the first quarter of this year and the fourth quarter of 1990.

Only in the Suwalski, Zamosc, Legnica, and Opole voivodships was there an increase in the number of new companies. In the second quarter, more joint-venture companies (17.8 percent) were created, as against a 9.5-percent growth in private companies. Warsaw Voivodship (151) and Poznan Voivodship (39) lead in the number of new joint-venture companies created this year. In the following voivodships: Warsaw, Gdansk, Legnica, Poznan, Krakow, Lodz, Wroclaw, Bydgoszcz, and Szczecin, 62.4 percent of all private firms are functioning, including 73.8 percent joint-venture companies.

After a period during which small service and production establishments operated by individuals were shut down, their number increased 9.4 percent in the second half of this year, which can be interpreted as a return to the previous state and a slowing down of the recession. This applies especially to the following voivodships: Gorzow (a 17.5 percent growth), Szczecin, Rzeszow, Torun, and Przemysl. In all, 109,500 new establishments operated by individuals began activity. The same number holds for the following voivodships: Warsaw (120,000), Katowice (48,000), and Poznan, Lodz, Gdansk and Wroclaw, where there are a total of 522,000, i.e., 41 percent of the overall figure. Most of the new individual-operated plants arose in the second quarter

on the "Eastern wall," which gives reason for optimism, because until recently in this region their number was shrinking.

There are fewer and fewer cooperatives and small-scale production foreign enterprises, whose total dropped 13 percent, most of which was in Ciechanow Voivodship. They favor the capital, where one-fourth of the total number (850) are located.

#### Few Bankruptcies of State Enterprises

The second quarter of this year brought a small drop in the number of state firms (by 66 plants, less than 0.8 percent). The number of enterprises whose parent organs are ministries is growing, at the expense of the enterprises privatized by voivodes (244 enterprises less).

In the second quarter, 144 firms were liquidated, of which 13 were state enterprises, 33 were cooperatives, and 98 were private plants. A growth tendency is noted in the number of private firms and cooperatives which are becoming insolvent while, in comparison to the first half of this year, the collapse of state enterprises appears to be slowing down. The private firms which are headed for bankruptcy are involved mainly in trade.

Remedial liquidation attempts were made in the cases of 235 firms employing 56,057 people (with various results). In addition, in the interests of economic reform, 60 enterprises were divided into smaller ones. This type of action was necessary mostly in the Slupsk, Elblag, and Koszalin voivodships and affected 32 agricultural enterprises, 16 industrial firms (mainly foodstuff and construction materials), three from the municipal economy, three from construction, and three from transport.

#### Small Privatization

This is done mainly in relation to shop, service, and crafts premises and is mostly in the form of leasing. The number of sales of service and crafts premises and industrial buildings, is growing. We still do not know how to privatize municipal property, because out of 2,217 shops under the control of the gmina authorities, only 2.2 percent were sold in the second quarter of this year. This was done in 16 voivodships, and mostly in Bialystok Voivodship (15 out of a total of 48 premises in the country). Leasing of shops is a specialty of Warsaw (of 2,169 premises in the country, 222 were leased in Warsaw) and Katowice (157). It is the same with service and crafts premises: 774 instances of leasing in Warsaw, 157 in Katowice, and 116 each in Jelenia Gora and Walbrzych voivodships.

Few premises were leased in the following voivodships: Opole (43), Bielsko Biala (nine), Koszalin (99), and, similarly as in the first quarter, in Lomza and Konin voivodships.

The fact that there has been an eight-fold increase in sales of industrial buildings (40 factories), while leasing of industrial buildings throughout the country has

declined, is good news. Although most state firms were sold in the Bydgoszcz, Ciechanow, and Jelenia Gora voivodships, in 37 voivodships not even one was sold (!). As regards the first three months of this year, the most enterprises were leased in the Warsaw, Walbrzych and Gdansk voivodships.

Privatization through liquidation dominates, applying to 78 percent of the cases, and in Wroclaw Voivodship, to 87.1 percent of the enterprises.

#### Commercialization of Real Estate

In the second quarter it was applied to 1,511 building lots, i.e., 656 more than three months earlier. Most lots for construction were sold in the Gdansk (212), Bydgoszcz (107), and Walbrzych (91) voivodships. Only in the following voivodships—Bielsko Biala, Biala Podlaska, Krakow, Lomza, and Suwalki—is there a regress. Not even one lot was sold there.

There was a growth of interest in leasing building lots, which pertained mainly to the Gdansk (254), Tarnobrzeg (101), and Krosno (91) voivodships.

More and more dwellings are being sold (209 in the second quarter, compared with 1,746 in the first quarter of this year) [as published]. Most dwellings changed owners in the voivodship most deeply affected by the recession, Lodz (709), which constitutes 34 percent of the total number of dwellings sold in the country, and in Szczecin Voivodship (571). In 15 voivodships, not even one dwelling was sold.

The economic situation can be summed up as follows:

- Private commercial-law enterprises have the highest growth rate; this applies especially to joint ventures, which make up 11 percent of this group of companies.
- The number of firms bankrupting has grown by 24, indicating a growth tendency.
- In comparison with the fourth quarter of 1990 and the beginning of this year, fewer and fewer shop premises are being sold and leasing predominates (97 percent).
- In comparison with the first quarter of this year, the number of state enterprises sold increased from five to 40, although this pertained to only a few voivodships.
- Interest in purchasing building lots rose by 70 percent, and leasing of lots by 31 percent. Also, 20 percent more dwellings were sold.

During the course of sending information to the Central Planning Administration, the voivodes also submitted many suggestions directed to the government. They propose that—due to the inability of workforces of private firms to accumulate a fund constituting 20 percent of the total sum of the parent organ and enterprise funds—the low-interest-rate funds utilized during the privatization of the firms through liquidation, be used. Only rapid commercialization of the social services

facilities of many cities will free state enterprises from their continual subvention. Lack of an executive order from the minister of land-use management and construction pertaining to the expropriation of real estate (to the law dated 29 September 1990) and a complete inventory of municipal property, are the main obstacles in the "small privatization." It is essential that the powers of the local representatives of the Ministry of Ownership Transformation [MPW] be expanded in order to simplify decisions pertaining to privatization, bypassing the parent agency—MPW.

The fastest road to privatization at present—liquidation of enterprises (about 80 percent of the cases), is seriously impeded by the requirement that enterprises pay a dividend, which delays the implementation of the basic goal of ownership changes in the economy.

#### POLITYKA Weekly News Roundup: 8-14 Sep

92EP0022A Warsaw POLITYKA in Polish No 37,  
14 Sep 91 p 2

[Excerpts]

#### National News

[passage omitted] Lech Milewicz, the new president of the Social Security Agency, told journalists that there is nothing to cause a delay in the payments of retirements and pensions. Of the subsidy received by the Social Security Agency, 5.3 trillion zlotys [Z] have been earmarked for revalorization of benefits for the fourth quarter of 1991 and for a one-time supplement for the lowest retirements and pensions. The difficulties the Social Security Agency is experiencing are chiefly due to the growth in the number of benefits awarded: During the first half of 1991, benefits were awarded in 520,000 cases, while in all of 1990, benefits were awarded in 653,000 cases. The president also announced the largest debtors to the Social Security Agency: the Steel Mill Repair Enterprise of Katowice, 38 billion zlotys; the Sendzimir Steelworks of Krakow, 26 billion zlotys; the Paris Commune Shipyard, 22 billion zlotys; and Moda Polska, 13 billion. [passage omitted]

The State Election Commission has established the patterns for the voting cards for the Sejm and Senate elections. The election cards for the Sejm will be white and consist of 17 pages; those for the Senate will be cream colored and consist of one page. The election cards bound as brochures will require enlarged ballot boxes. [passage omitted]

In September, prices will increase by 2 percent; on the other hand, the predicted percentage increased in the average wage in the six basic sectors of material production without profit sharing is estimated at 10 percent.

The Sejm adopted a law on payment for drugs. All privileges were liquidated with the exception of honored blood donors, war invalids, and military personnel (free drugs). It also decided there will be three categories of

drugs: the basic ones with a lump-sum charge up to Z3,000 (0.5 percent of the lowest wage); supplementary drugs with a 70-percent reduction (the budget will cover the difference), and the rest to be charged at full price.

"Private pharmacies are threatened with bankruptcy," K. Czaplicka, the deputy president of the Association of Pharmacists, told journalists. The problem is caused by the budget arrears for subsidies for free drugs and reductions and high rents.

At a press conference, the partnership Telegraf explained that accusations it is financing the activities of the Center Accord are false. It had connections with Art-B because Minister A. Glapinski was a partner and its founders (Jaroslaw Kaczynski, Jacek Maziarski, Maciej Zalewski) intended after the end of their political careers to return to the partnership (when they accepted government posts they resigned from the partnership). Asked how the partnership had gained sums from the enterprises Budimex and the Krakow Bank of Commerce and Credit that increased its capital from 120 million to 21 billion, President M. Oblicki said that in the world of business it is normal that banks and large firms financially support new firms. [passage omitted]

According to initial data on the elections, there will be 7,328 individuals running for the Sejm (16 for a seat) and 607 for the Senate (six for each seat). [passage omitted]

Public opinion and the experts have evaluated the positions of the politicians: Jacek Kuron took first place in a competition run by ZYCIE WARSZAWY (he lacked only four points to the maximum of 100); behind him were, in order, J. K. Bielecki and Prof. Ewa Letowska, the Citizens' Rights Ombudsman. The other positions were filled by Tadeusz Mazowiecki, Krzysztof Skubiszewski, Lech Walesa, Ryszard Bugaj, Leszek Balcerowicz, Zbigniew Bujak, Włodzimierz Cimoszewicz, Jaroslaw Kaczynski, Jan Olszewski, Marian Krzaklewski, Jerzy Urban, Gabriel Janowski, Stefan Niesiolowski, Mieczysław Gil, Waldemar Pawlak, and Józef Słisz. In 20th and last place was Stanisław Tyminski. The commentaries drew attention to the high position of J. Urban, who owes it chiefly "to his potential, personal ability, and current form" and to a favorable change of position on the political stage. [passage omitted]

The Ministry of Communication has issued five permits to the Catholic Church to run its own local radio stations. Further applications await action.

Henryk Majewski, minister of internal affairs, issued a declaration in which he warned that the police will decisively counteract, using all the methods allowed by law, all attempts to violate public order. The declaration is associated with the recent repeated violations of order, blocking roads, occupying places of work and public buildings. [passage omitted]

The Constitutional Commission of the Senate has decided that the invocation to the Senate proposal for the constitution will begin with the words: "In the name of Almighty God."

The Association of Journalists of the Republic of Poland has protested the Lodz prosecutor's plans to prosecute Małgorzata Zietkiewicz, a local journalist. She is accused of revealing the smuggling of pure alcohol in Soviet military trucks too early. "Polish law does not forbid a journalist to investigate on his own the negative phenomena of social and economic life," writes W. Chrzanowski of the Association of Journalists of the Republic of Poland in a letter to the minister of justice. [passage omitted]

The minister of health has proposed in *GAZETA WYBORCZA* that each working Pole be taxed 30,000 zlotys a month to supplement the budget for the protection of health.

Carlo Cassini, the president of the Italian movement to protect life and a deputy to the European Council, said during the conference titled "The Polish Parliament and the Problem of Legal Protection for Conceived Children": "The legalization of abortion in Europe is a remainder of communism. Abortion is death, tyranny, and materialism. Today Europe looks with hope to Poland." "From today, no one can question the European nature of your actions," stated Senator Walerian Piotrowski (Citizens' Parliamentary Club-Christian Democracy). The organizers of the conference arranged it as a report on the state of work on an antiabortion law because they are convinced that the current Sejm will not adopt this law.

The Consumer Institute of Quality asked that the quality of butter sold in Poland be studied. It turned out that the best in terms of looks and taste is French butter; then come Belgian and German butter. Polish and Czech butter (cream) had the least fat and the most water. Polish Extra butter is comparable with German or Belgian, but its packing is of lower quality (*ZYCIE WARSZAWY*).

The first private Higher School of Business and Administration in Poland has opened. Its founder and owner is Prof. Tadeusz Kozluk, an American of Polish origin. Annual tuition is \$2,100 for a four-year program of fulltime studies and \$3,000 for a three-year post-diploma program.

The Krakow monuments of Lenin, thanks to the Soviet Army and to Marshal Konev, will be sold at auction. The Board of the City of Krakow made the decision.

#### Who's Who

Lech Milewicz (age 51) is the new president of the Social Security Agency. He worked at the Social Security Agency from 1963 to 1985. Recently he was director of the legal department of the Committee of Standards, Measures, and Quality. Lech Wałęsa has sent a letter to

the Sejm marshall with a proposal to name Marek Dabrowski (age 40) president of the National Bank of Poland. He is an economist, a docent at the Institute of Economic Sciences of the Polish Academy of Sciences. Until September 1990, he was deputy minister of finance in the government of T. Mazowiecki and first deputy to L. Balcerowicz. He resigned from this position. In April, Prime Minister J.K. Bielecki named him president of the Council for Ownership Transformation under the prime minister. [passage omitted]

#### Opinions

**Dr. Lech Kaczyński, minister for national security affairs in the President's Chancellery:**

(Interviewed by Jerzy Lesniak, *GAZETA KRAKOWSKA*, 3 September 1991)

[Lesniak] Recently in the Polish Spisz region, specifically in Czarna Gora, there was a demonstration in which Jan Czarnogurski, the prime minister of Slovakia, participated, who was born in the town. Reportedly, much was said about joining Spisz to Slovakia. Neither the voivod nor even the local wojt [head of gmina] knew about the Prime Minister Czarnogurski's visit. Did he cross the border illegally?

[Kaczyński] I do not think so. Yet the lack of information on this subject to the central offices, in my opinion, is a serious mistake by the services of the Office of State Protection and the Border Guard. I am examining the case. To the degree the interests of Poland were threatened, I will ask for an explanation through diplomatic channels. I would not overdramatize the nationalism breaking out here and there, although certainly young nationalism, especially that within the borders of the Soviet Union, can be aggressive. That is why I attach such great importance to strong foundations for state security. In this respect and also in view of certain tendencies in the German minorities, the proposed budget cuts in our Army are not favorable.

**Stefan Kisielewski, journalist:**

(Interviewed by Piotr Gabryel, *WPROST*, 8 September 1991)

[Kisielewski] I must admit that I was disappointed with the most recent visit of the Holy Father in Poland. To be sure, marxism, the most antireligious conception of the world, which still governs part of this world, has collapsed. But this is not just about politics, but about the deepest philosophy. I am afraid that young people left Częstochowa with a similar feeling of disappointment. Of course, it was a marvelous festival. Of course, they had an unparalleled opportunity to be together with the Holy Father. But was it just for that that some of the participants in the meeting traveled several thousands, tens of thousands of kilometers, and others dozens or hundreds? All the more so since the ceremony was organized in East Europe in which so many dangerous things have happened and are happening.... The pope

spoke many beautiful words, which, unfortunately, without comment, without relating them to a specific continent and country, mean everything and nothing as they pass one's ears.

### POLITYKA Weekly News Roundup: 15-21 Sep

92EP0022B Warsaw POLITYKA in Polish No 38,  
21 Sep 91 p 2

[Excerpts]

#### National News

The Sejm rejected a proposed law on extraordinary powers for the government. There were 196 votes for, 91 votes against, and 32 abstentions. (The law required a two-thirds majority.) During the discussion, Deputy Andrzej Kern (Citizens' Parliamentary Club-Center Accord [OKP-PC]) stated that not giving the government extraordinary powers would force it to resign. In spite of the unfavorable result of the vote, the government, however, through its press spokesman declared that it will continue its mission.

The Sejm adopted a law on employment and unemployment. Its sharpens the conditions for obtaining benefits: They can be given to unemployed persons for 12 months (until now there has been no limit), and graduates can receive them for nine months. Women who have worked for 25 years and men for 30 years have the right to benefits for 10 months. The right to benefits is due those who have not received an appropriate job offer or an offer of vocational training and who during the year prior to registering themselves as unemployed worked 180 days or who because of some nonagricultural activity are covered by social insurance. The right to benefits is lost if the person entitled to benefits twice rejects job offers without justification, if he receives a credit or loan for a business, or if the spouse earns more than twice the average wage. A peasant-worker will be able receive benefits if he does not have more than two hectares of land (by conversion). According to the most recent data the number of unemployed is 9.8 percent of those employed. [passage omitted]

In accord with the law on radio and television, just adopted by the Sejm, public radio and television will be managed by a nine-person National Council for Radio and Television named by the Sejm, Senate, and the president. The chairman will selected by the members from among themselves for a term of three years.

The pastoral letter of Polish Bishops for the Sunday of the Social Mass Media was read from the pulpits. In response to a question whether these media are currently capable of developing a spirit of mutual agreement and unity, the bishops said: "Unfortunately, the response to the question is negative." In addition to the numerous ailments and shortcomings, the pastors and the lay faithful are deeply concerned by, for example, "the public attempts to ridicule social authorities, blasphemous statements about the truths of the faith and ethical

norms, open dissemination of pornography, the use of manipulative techniques in transmitting information, aggressive promotion of a model of life without faith and moral duties, and neglect of such principles as the inviolability of marriage or the defense of conceived life." The bishops turned to their compatriots who work in the mass media and said: "All activity of the people employed in the mass media should be based above all on the Decalogue." The bishops called on the faithful to criticize the publications: "Properly developed criticism should lead in turn to an active relation to the mass media, expressed in, among other things, disapproval of contents that arouse reservations of an ethical nature." "Systematically reading the religious press" is an important duty of Catholics.

GAZETA WYBORCZA publishes commentaries by journalists on the bishops letter, including one by Dariusz Fikus, editor in chief of RZECZPOSPOLITA, who was struck by the generalization that the Polish mass media deprecate elementary sensitivity to basic, important problems of the nation and state. He writes: "It seems to me that the Polish mass media are varied and that that is their great advantage. There are those which do not please me against which this charge can be raised. I would not make this charge, however, against all of the Polish press, for example, neither against TYGODNIK POWSZECHNY, nor against NIEDZIELA, nor against RZECZPOSPOLITA, nor against GAZETA WYBORCZA."

**Changes in the President's Chancellery:** Two groups were removed from the control of Jaroslaw Kaczynski, head of the chancellery: Political Services (it prepares the texts of presidential speeches, declarations, and letters) and Organizational Services (it prepares trips, ceremonies). The first of these groups was subordinated directly to Andrzej Drzecimski, the presidential spokesman, and the second, to Mieczyslaw Wachowski, the director of the presidential office. The spokesman assured the press that the above decisions were not political but "purely technical."

"How our officials live" was explained by Minister I. Dudojc, who is responsible for administrative affairs in the Office of the Council of Ministers, in GAZETA WYBORCZA. Two hundred individuals holding leadership positions in the state are entitled to official apartments, though only for the time they are in office. A one-room apartment in the hotel of the Office of the Council of Ministers costs Z400,000 a day for an employee of the Office; for a minister, 30 percent more. A three-room apartment costs Z800,000 a day, and the commercial price is double that. At present, only Minister J. Lewandowski lives in the hotel; all the others have official apartments. Minister Dudojc said that the 71 million zlotys [Z] spent to furnish the apartment of Minister W. Sidorowicz is "not much." The furnishings are not the property of the minister. [passage omitted]

Food prices increased: During the first 10 days of September, as the Central Office of Statistics has determined, food prices increased by an average of 4.2 percent in comparison with the last 10 days of August. Among others, the price of butter rose by 13.5 percent, of fruits and vegetables by 9.3 percent, of meat and meat products, by 5.6 percent.

The police have halted recruiting. The main commandant of police has told the voivodship commanders to halt hiring of new employees because of the catastrophic financial situation. An exception was made for Gdansk, Katowice, and Warsaw, where the state of security is horrible, and the personnel shortages are higher than 20 percent.

On the press market: There is a dispute surrounding the Wroclaw GAZETA ROBOTNICZA. The Liquidation Commission initially awarded the title to the journalists cooperative, with certain reservations, which were not met. The title was then awarded at auction (the opening bid was 35 billion zlotys), but it did not produce a resolution, and the Commission conveyed the GAZETA to the state treasury represented by the voivod. In turn, Miroslaw Jasinski, the voivod and a member of the Main Political Council of the Center Accord, named Jozef Orzel editor in chief. He is a candidate for deputy for the Citizens' Center Accord and said the newspaper would not be a party paper. President Lech Walesa supported the voivod. The journalists cooperative, which is publishing GAZETA ROBOTNICZA, appealed to the courts. The Liquidation Commission in a communique declared that it was not its intention to give the GAZETA to any political party. A group of parliamentarians from Wroclaw (including K. Modzelewski and B. Labuda) signed a declaration stating, in part: "We consider the transfer of this asset for free to a political party, of which the voivod is an activist, an abuse of power." The Liquidation Commission sold the Lodz GLOS PORANNY for 2 billion zlotys to the partnership Assico formed by the Lebanese Assi family (80 percent of the partnership) and the local self-government sejmik. Nearly half of the editorial staff and the Lodz group of the Association of Polish Journalists supported the partnership. The competing offer (Res Polonia) offered 2.5 billion and had the support of more than half the editorial staff; it was financially supported by the British Maxwell group.

At a preelection rally, Minister Adam Glapinski, a candidate of the Citizens' Center Accord, attacked the mass media: "Journalists are not looking for interesting subjects, but instead hold to the political line. As long as GAZETA WYBORCZA, KURIER POLSKI, POLITYKA, and NIE write much and negatively about us we are going in the right direction." [passage omitted]

### Opinions

#### Andrzej Micewski, journalist:

(*KONFRONTACJE, September 1991*)

The relations of forces in Poland 10 weeks before the election, when I am writing this text, are such that it is difficult to imagine, even after the election, a genuine coalition capable of forming a majority government. Only a post-election alliance of the strongest post-Solidarity group with the peasant group, which is more capable of uniting itself, may be able to form a majority government. That sounds fairly humble when the material situation of the people is continuing to deteriorate. Nevertheless, the small group of governing liberals will quickly become a larger party, but it is very doubtful whether it will be able to govern without taking into account the living and social needs of society. Some are still counting on the possibility of a social explosion in Poland prior to the election. It is real, but the government can still prevent it if the government concentrates less on an illusory general privatization and more on meeting society's most pressing current needs. [passage omitted]

#### Stanislaw Tyminski, head of Party X:

(*Interviewed by Barbara Sidorczuk, SLOWO POLSKIE, 11 September 1991*)

[Sidorczuk] You were recently a guest at the Belweder. Amazing, if one remembers the presidential campaign.

[Tyminski] I was invited as the head of a party and not as an opposing candidate. In this way, the president recognized Party X as an important factor on the political scene. I heard during the meeting that it is high time to forget what happened and I agreed with that. I warned, however, that we will not agree to Balcerowicz's policy. Later I heard rumors that the president was sharply criticized for the meeting. I also had difficulties; a few members even left the party.

**Respected Columnist on Latest Miners Riots**

92BA0034A Bucharest *TINERETUL LIBER*  
in Romanian 1, 2, 3, 4 Oct 91

[Interview in four installments with columnist Octavian Paler by Nicolae Tone; place and date not given: "Tuesday to Saturday"]

[1 Oct pp 1-2]

[Text] [Tone] Mr. Octavian Paler, as we are preparing to begin this long discussion, the title of one of your books, *A Museum in the Labyrinth*, comes to mind. If we were, say, in the year 2000 or 2010 and you were writing about Romania of the years 1990-91, what would be the very first thing you would put on paper?

[Paler] Unfortunately, like every romantic, I dream the future. I find it difficult to predict it. So, in order to keep my feet planted on the ground I feel compelled to say what I think and what I feel at this time. And, frankly, I think that if you are comparing the reality through which we are stumbling rather blindly to a labyrinth, that's making it better than it is. You see, the posttotalitarian illness, which is also affecting the other East European countries, in our country has worsened to the point of being unbearable. First and foremost because of the regime. A labyrinth is suffused with mystery. But here "mystery" means "lie." We are groping through degraded, dirty mysteries made up of lies and half-truths. You will say that previously there were lies, too. Yes, but in a way it was simpler.

[Tone] How so?

[Paler] The official lie was the official lie. No one took it seriously. Everyone knew that the truth was exactly the opposite. Which still allowed for logic, it didn't alter logic as it does now, when half truths are mixed with half lies so much and so badly, that you no longer know what's true and what's false. The end result is that at some point you no longer believe in anything and anyone. And that is a serious phenomenon, isn't it? I would say that our immediate history is a kind of sick reality teeming with rumor. We are walking on moving sands, in a labyrinth, if you like, which is in plain daylight but in which everything is ambiguous. We don't know whether we're walking toward a haven of deliverance or toward a disaster. In these conditions, simple truths and nuances may no longer be sufficient. It seems to me that now we need a truth shock therapy, as I call it, meaning brutal truths. In other words, I fear that today it is no longer enough to merely tell the truth. You may have to tell it in a form that will shake, shock, and disturb, if necessary, but that will dislodge the indifference. Because the main weapon of the current regime is indifference. They let you talk in a vacuum until you grow weary and become disgusted with yourself. There has been too much lying. That is why I thought that the comparison with the labyrinth was too cultural. Moreover, we unfortunately don't have Ariadne's yarn to guide us. So far no one has offered us one. Or didn't do

it with the kind of love apt to give us faith. As for the people in power, I fear the lack of patriotism that in my opinion they have fully demonstrated. I understand that they wanted to get the power, that they like power, but they shouldn't have placed it above the country's interests. It is a sad thing that they were capable of doing so. That depresses me. Nevertheless, I want to believe that the world has not changed that much since the Greeks and that, as they said in antiquity, at the bottom of Pandora's box, from whence all ills came forth, there lies hope.

[Tone] What do you hope for, Mr. Paler?

[Paler] I don't have any oracular talents to give you an all-inclusive answer. And I don't know whether what I hope for myself is attractive to others, too. Anyway, I think that fortunately, the international conjecture is working, at least for the time being, in favor of hope. It is forcing our conservatives, too, to make gestures or to say things that otherwise they would probably not have made or said.

[Tone] For example?

[Paler] For example, I have great doubts that Mr. Iliescu burned his party card in the evening of 21 December, as he recently said at a press conference. I am relying on the manner in which he talked about the communist party on 22 December and even later. But there are also benign lies. Those who pay attention to nuances prefer to hear him say that, rather than that the communist ideas were noble and only their implementation was bad. But let me go back to the need for brutal truths. At times I feel we live in an insane asylum.

[Tone] Have I heard right?

[Paler] Very much so. Well, don't you feel like in an insane asylum when everyone is talking and no one is listening to anyone? Or when you encounter so many things that are topsy-turvy? Someone was telling me how they watch the "Current Events" on television in their home. A foreigner would be amazed to hear this, but I understand it very well. The husband and wife sit down on the edge of the bed, determined to remain calm. A few minutes later they forget their resolution. They nervously keep moving closer to the screen from where the lies are coming and end up spitting at it! You tell me, in what normal country do you have such a thing? The most unhappy are the ones who are still moderately sane. They look around, they can no longer understand anything, and exasperated, they realize that there is no escape. What are the options? To take to their heels? Or to mimic serenity until they become indifferent? Both are equally inconvenient and for some of us, impossible. We remain with the fear that truth is cavalierly turned inside out. Didn't you hear Mr. Roman on television on Sunday night? You could swear he was a victim. He accused a communist conspiracy of having brought down his government, when it was evident to the naked eye that it was the FSN [National Salvation Front] that

made it possible for flowers to appear on Ceausescu's grave after an anticommunist revolution.

[Tone] I suggest we now go from ethics to history. Please act as an historian for the past few days. We could even begin with the opening sentences of one of your recent articles: "Thursday night. The loud reports I hear persuade me that there is no refuge left. Even if you keep your doors closed and the blinds down on your windows, history still bites you."

[Paler] As an oriental sage said, we are living in interesting times, but I for one have had enough of interesting times. I ache for boringly logical times of monotony, in which I would see Caragiale's world only on stage, not in Parliament, and in which the government would first modernize the hospitals, and only then the police.

[Tone] In these conditions, fatigue is the greatest risk, isn't it?

[Paler] At times you get nauseated by politics and want to escape it. Except that suddenly you realize that you're engaging in politics by the mere fact of staying away from politics. Except that then you're engaging in politics by proxy. It seems that we are unfortunately forced to not get bored. Especially since today you have to take care that a bomb doesn't fall on your head while you're thinking how to best remain "apolitical." I heard that on Saturday night the police killed—shot in the head—a man who happened to walk through University Square. It would seem that we are suspect even as pedestrians. And we have good prospects to once again become a police state. Never mind, let's get on. In short, I have come to the conclusion that at alienating times such as these it is better to keep your eyes wide open and endeavor not to turn your revulsion into complicity.

[Tone] Have you been following the arrival of the miners?

[Paler] Yes, and I was repulsed by the violence. Just as now I am repulsed by the hypocrisy with which everything is being blamed on the miners.

[Tone] To what are you referring?

[Paler] Let's begin at the beginning. I won't take the liberty of judging the tough work and hardships of the miners. Moreover, I know that they have been shamelessly lied to and deceived. The authorities, the Securitate, the extremist parties, people nostalgic for the communist regime, and political adventurers swarmed the Jiu Valley and whispered in the miners' ears all sorts of vague siren songs meant to turn them into a maneuverable mass, a civilian army with which perfidious "stage directors" could start any war from the shadows, even one against the country. Another thing that must be clearly stated is that, in a society that is not a jungle, no one is entitled to make justice for himself, to raise the iron bar or club, and to hit. Aside from the fact that in

June 1990 the victims were students and generally government opponents, while this time the target was different and stood at the opposite end, I was as dismayed now as I was then. I don't doubt that the miners are good Romanians who love their country. Nevertheless, where would we be if everyone allowed themselves to requisition trains? A situation in which he who hits others and knows he is stronger is right, is unacceptable. Exasperation may justify many things, but not violence, because violence throws us from civilization back into barbarism. Regardless of the justice of their demands and regardless of how justified their current hostility against the regime may be, the miners must agree that the law exists for them, too, and that Bucharest is the capital city of the entire country, not a province of the Jiu Valley where they can come to make order every time they don't like something.

[Tone] A Parliament member was saying yesterday on television that we're back in the Stone Age.

[Paler] You see, that's precisely what I don't like, the fact that truth is distorted by simplification, premeditated or otherwise. I don't in the least mean to excuse the violent acts committed by the miners, but it seems to me not only dishonest, not only unjust, but downright dangerous that the truth should be broken in half and exposed to only one side of the reality, so that the regime can turn it to its good account by casting the entire loathing of the nation on the miners.

[Tone] On Sunday night we watched an almost incredible interview with Mr. Roman.

[Paler] Mr. Roman has assumed a martyr pose, forgetting (I know that asking a politician to be frank is too much, but "*est modus in rebus*" [there is a measure in all things]) that next to Mr. Iliescu he was one of the main characters responsible for playing with fire at the expense of the public and the country. More precisely, he was, dear me, an accomplice in what happened. He should have known how a boomerang works.

[2 Oct pp 1-2]

[Text] [Tone] Did you follow the session of the two Parliament chambers that debated the political tremors caused by the miners?

[Paler] Partially. There are still limits to my patience.

[Tone] Did it disappoint you?

[Paler] I was particularly interested in a, how shall I put it, scenic metamorphosis. The lambs who faced the miners in fear suddenly became self-important prosecutors. This is almost a metaphor for a chronicle of social customs. Unfortunately, I'm not really in a mood to be amused. I am pursued by a sense of nightmare. I found out that ammunition had been distributed to fire on the people again, that the number of victims is higher than what was officially reported, and that Mr. Ursu's arms bearers committed crimes in the shelter of the night.

[Tone] What is your view of the behind-the-scenes background of this fourth miners' raid on Bucharest? Some parts of the debates sounded like a suspense novel.

[Paler] There is no doubt that the dark backstage of our political spectacle (because for the time being we don't have politics, only political spectacles) is neither deserted nor clean. We hear suspicious rustles and noises coming from there. And there is no shortage of rats, literally or metaphorically, because the revolution was stopped before the rats could be eliminated. On the other hand, we clearly suffer from some kind of "script" mania. Our imagination, oversensitized by the traumas we are experiencing, is excited to the maximum.... Anyway, I was amazed how seriously they were searching for what is an open secret; because except for Parliament, everyone knows who was behind the miners.

[Tone] Would you please be more precise?

[Paler] I'll try. The prime minister accused a communist putsch. In fact, many speculated these days that the miners didn't come of their own initiative, that their rebellion was instigated, organized, plotted. By whom? Here's where the prints get blurred and the ground becomes slippery. According to some, the traces lead to those who, even though they belong to the camp in power, were interested in muzzling the young wolves in the FSN who, drunk on the taste of power, are no longer willing to observe the initial rules of the "emanation." In other words, account-settling time in the family, like in the Mafia. According to others, the tracks lead to the PSM [Socialist Labor Party], who thereby attempted a coup. From what I understand, there is no proof about any of these versions. Consequently, we are forced to stick with what we already know. And here we come to the "open secret." Because what we now know beyond a doubt is that the storm did not come out of the blue and the miners didn't come of their own accord.

[Tone] Have you any evidence? as Mr. Magureanu would say.

[Paler] Of course. What's more, the evidence is of public notoriety, and I think that common sense alone demands that we don't ignore it. It would be wrong to look with anger only at the miners. Actually, behind the arrival of the miners was first of all the country's president himself. Mr. Iliescu should be indicted as the main moral author, in my opinion. "The miners are coming" is his creation. He has been using the miners as a scarecrow or a task force ever since February 1990, turning them into his personal civilian army. With their help he terrorized Bucharest and placed us under the specter of a minidictatorship of the proletariat. He caused the miners to acquire the deplorable reputation of "khmer noir," while trying to silence the mouth of the opposition with the fist of the long deceived workers' class. All these things seem to belong to the past, but that is not the case. I see a connection between cause and effect, between the violence of June 1990 and the violence last week. What occurred now was the tool rebelling against its maker,

unless it was an internal affair of the regime. In any case, the expression "moral scruples" sounds rather unbecoming coming from Mr. Iliescu. Because the tragedy of June 1990 fostered a certain mentality in the Jiu Valley. It gave the miners the dangerous illusion that they, as the rulers' civilian army, could do anything. You may say that to this day it is not clear who actually summoned the miners at that time. I agree. But there is no doubt that crimes were committed at the time and that the country's president expressed thanks for those crimes. In other words, he legitimized them. He let the miners feel that what they did was a good thing and that they had done their duty to the country and to democracy by beating up students. The speeches Mr. Iliescu addressed to the miners, like Mussolini's speeches to the workers' battalions, were a tragic hoax. Tired and happy to have made order in the place of the forces of order, the miners were made not to see that their helping to terrorize the city marked a black page in Romania's history. It could be expected that it would not go without consequences.

[Tone] You are moving.

[Paler] No, I am disgusted. I find it revolting that the soldiers should have been threatened and should have escaped from the Parliament building in fear, and that not a word is being uttered about those who twisted the miners' minds. The first morally guilty people were the ones who used the miners for one and one-half years, those who bribed them and flattered them, making them feel that they were the trusted support of the regime. In fact, now we're witnessing a classical diversion: Only half of the truth is taken away, the convenient half, while the other is kept under silence. Those who everyone knows are morally responsible, are becoming the judges. They wag their fingers and call the miners every bad name. Once again, I don't condone violence. But the regime is even guiltier than the miners for this fresh heavy blow to the country's reputation. Because, if in the case of the miners one may speak of orders, in the case of the regime we have to speak of cynicism.

[Tone] By now the word "regime" has become too vague.

[Paler] That's true. But however odd my statement may sound, I have to say that the government was among the "instigators" of the siege that brought it down. I'm no good at economic matters and I don't want to talk about the reform, whether it was well planned or badly planned. I judge only by what I see. What I see is that profiteering has become a scourge. I see that the first to cavort like locusts through the inflation that is ruining the man in the street come from among the select dredges of the old profiteers, who are now the new profiteers. I see that corruption is making the country frighteningly venal. Petre Roman talks of a communist putsch. As long as he has no proof, it's all talk. On the other hand, what is certain is that the FSN has done a great service to the PSM, who, after all, didn't even need to conspire in the Jiu Valley. The executive power itself conspired against itself, fostering misery, disgust, and exasperation. And if the egalitarian utopia is the seed of

communism, the Roman government has done more than the PSM to revive the communist mentalities in Romania.

[Tone] Are you saying that he alone was responsible for what he suffered?

[Paler] I don't know whether he was alone. Anyway, he participated in the operation. And then, wasn't the Parliamentary majority responsible, too? In fact, wasn't it an accomplice in the acts of violence committed against its own government? The Parliamentary majority did its best, through vociferation, maneuvering, machinations, and demagoguery to hush up a correct and objective investigation of the events of June 1990. Evidently it wanted to spare the president and to exonerate him, and it wanted to prevent the truth from being known and especially admitted. Except that it worked against its own government. Had those guilty of serious bodily damage and brutalities—acts that come under the penal code—committed in the University Square and in other places been duly punished, many miners would have now hesitated before ransacking what was ransacked in Petrosani and Craiova and would have thought twice before boarding the train for Bucharest. But after being congratulated, the Parliamentary majority gave them a feeling of impunity. This is another known and certain act of complicity in the latest tragedy in Bucharest.

[Tone] Are there others?

[Paler] Yes, involuntary ones. All the intellectuals who don't want to remain indifferent should have gone on alert when the PSM began to sniff around the Jiu Valley looking for customers. We didn't. The miners shut themselves up in their rancor against the press that had "discredited" them. We isolated ourselves behind the Balkan curse of treating everything with "mocking superiority." The only ones who tried to do something were the students. They decided to take the bull by the horns and went to the Jiu Valley. They talked. They didn't manage to shake all the resentments, prejudices, and effects of the government's lies, but they talked.

[Tone] Do you think that the political earthquake caused by the miners will change anything in Parliament?

[Paler] It seems that the FSN majority is split in two. One half behaves like a Praetorian guard to the deposed prime minister, while the other is watching the Cotroceni Palace. At least that's my impression.

[Tone] What about the opposition?

[Paler] With very few exceptions, the opposition is smelling the pie and is excited. It wants as big a slice as possible. And beyond this embarrassing can of worms, the country feels powerless and desperate.

[3 Oct pp 1-2]

[Text] [Tone] Together with a colleague I am working on a series about the 1989 revolution. More than one-quarter of those questioned about it answered: "I'm afraid. I'm not talking." Is fear Romania's most terrible present disease?

[Paler] Probably, the next generations will be in a position to examine the Securitate more objectively. Because the Securitate was the great cause of fear, as well as the organizer of the fear. However many efforts we may make to weigh the role played by the political police without hatred and resentment, I don't think that we will manage the detachment necessary to rise above the memory of what we experienced. Fear, however, leaves scars that are slow to heal. In itself the memory of fear acts like fear. I think that is the reason that in the past one year and nine months there have been such frequent calls for "Down with the Securitate." It is the call of a humiliated, terrorized society tired of the endless precautions it was forced to take, a society that once again sees itself in danger of living in fear.... Frankly, though, I don't think that fear is our worst illness today, the most devastating, or the most dangerous.

[Tone] What is then?

[Paler] How shall I tell you? After the many disappointments we suffered in the postrevolutionary period, it seems that something has broken down in our ability to hope. A lack of prospects has appeared that is acting almost like a scourge. We are a traumatized people. Against this kind of background you instinctively defend against the lack of prospects by an almost hysterical impatience. That's how I explain our mood swings. One minute we thumb our nose at the world and declare that "we don't need anyone," the next we reprove the West for having forgotten us and for once again betraying us. We seem to better know what we don't want (for example, that we don't want to be lied to anymore or to see the old opportunists getting ahead again—I won't talk about the uselessness of our wishes!) than what we expect. We may have returned to the negative moral that for years made us believe that it was enough for Ceausescu to fall for life to become normal. Which didn't happen. Ceausescu's ghost walks among us.

[Tone] A few days ago I was grievously pained by a remark made by an acquaintance: "We are a nation of cowards. If we don't have a Ceausescu, we invent him. Look at what's happening now. Corruption, poverty, disaster, squalor, rulers out to feather their nests—and the people endure it all and don't dare say anything...."

[Paler] If you asked Mr. Iliescu for his view about this, he would probably answer that the street talks too much and too often. So you see how relative everything is. As for the "nation of cowards," what can I say? I remember the Christmas of 1989, when noels were mixing with bullets; many young people, volunteers, in the streets, not afraid of dying. That image is enough for me. How many revolutions were like ours?

[Tone] But are the Romanian people responsible for the 45 years of history that preceded it?

[Paler] The people, certainly not. Responsibility, when applicable, is individual. In fact, I hope that no one excludes those who braved imprisonment from the "people." And after all, this myth that the entire nation was guilty, seems to me like a diversion. Because, if everyone is guilty, no one is guilty, right? Unfortunately, not counting the Albanians, we were the only East Europeans who had the nefarious privilege of competing with the North Korean model in matters of dictatorship. In those conditions it was unavoidable that we should suffer worse emotional mutilations than others, which may serve to explain some seemingly inexplicable oddities.

[Tone] What do you have in mind?

[Paler] You see, at times I have a curious feeling that precisely some of those who in their childhood or teens experienced Romania before its entrance into the tunnel, are the most ferociously opposed to the monarchy, the Peasant Party, or the liberals. If I didn't know that the communist system was forcibly imposed under the threat of the Russian tanks, I would say that in 1946-47 those people were glad to see us pushed under totalitarianism.

But let's go back to our guinea pigs experience. Ceausescu corrupted our national feelings just as Nazism corrupted the national feelings of the Germans. That complicated even more the attitude toward the previous period, when patriotism, being forced to be subversive, was defended. The current extremist so-called nationalist trends draw their muddy origins from the mixture of fascism and communism represented and fomented by Ceausescu.

[Tone] You said "so-called nationalist?"

[Paler] Let me explain. In fact, if we consider it well, there is no connection between the nationalist movements in the Baltic countries, for example, or in Bessarabia, and what is claimed as nationalism in our country. Suffice it to see who are the promoters of the national ideas in other countries and who they are here. In the Baltic countries or in Bessarabia they represent the ideals of national identity and independence. Here they are mainly people who feel nostalgic about Ceausescu's jingoist demagoguery and xenophobia. The genuine nationalists have retreated to avoid being confused with them. That is why I asked myself and I continue to ask myself: What kind of nationalists are those who drag the national idea through the mud of dirty language and base hatred? I think that they abuse the term "nationalist" by applying it to themselves. The nationalism of the Letts, Lithuanians, Estonians, and Bessarabians has nothing to do with those who shouted insults in Alba Iulia.

[Tone] Mr. Paler, when will Romania enter Europe?

[Paler] That depends first on what we mean by "entering Europe." If we're talking about the official entry into

Europe, I suspect that will happen relatively quickly. But if we're talking about the real entry into Europe, then I'm no longer very optimistic, not to say downright skeptical. Do you, for example, think that Turkey is in Europe? Officially of course, it is and has been for a long time. But in my opinion, from the viewpoint of spirit or mentality, it is not. When I say "Europe," what I think of primarily is not a political, economic, or military structure like the Common Market or NATO. I think of the European spirit. I have grave doubts that Spain is a European country from this viewpoint, or Portugal, still dreaming of its memories as a great maritime power. It seems to me that the reasons that made Unamuno consider the Spanish civilization refractory to the European spiritual civilization still persist. Just as I don't see how Russia can enter Europe if it wants to still be Russia. Anyway, this topic bears a lot of discussion.

[Tone] But what do we have to do to overcome the present chaos?

[Paler] The moment Ceausescu escaped in the helicopter we thought that the bad things were over. We were wrong. We didn't realize that only Ceausescu and his clique had fallen. The shock came with Ceausescu's trial. The staging was far too flagrant, far too grotesque and typically Stalinist not to shock us. Much as we hated Ceausescu, we could not help seeing that instead of a Romanian Nueremberg, we were being offered a farce in which justice was replaced by an assassination.... Then, just as we needed to clear our consciences, the government incited us one against the other, divided us, and set us at loggerheads, pushing us into a new nightmare, the nightmare of fratricide hatred. The chaos you mentioned is a dirty chaos of hatred.... We have become so weary and run down by all the harassment of the past one and one-half years that I have to admit I don't know how we will overcome this crisis. Because when you lose hope it is generally very difficult to contain the damage.

[Tone] In a recent article in ROMANIA LIBERA you wrote: "Anyone who, like me, spent his childhood in a pre-1950 peasant household..." The decollectivization of the soul. Tell us about that village, about you as you were then.

[Paler] Lisa was not a village, it was a myth. A myth in which I grew up and which people rarely left, because "tourism" was an unknown occupation to them. I perfectly understand what ancient Rome meant to the barbarians in the Roman Empire, because that was the role that Fagaras played in my childhood, a town I knew only from stories. But all that belongs to a gone world, a world that was destroyed in the past four decades. I don't understand the stubbornness with which the current authorities seem to evade rebuilding the Romanian village. The Parliament, government, and especially the president continue to view the village as a production tool rather than the bedrock of our soul. I wonder, however, why deputies and senators born in peasant households before the collectivization are putting up

with this; unless they've been corrupted, they must know that Romania cannot go back to being Romania without peasants.

[Tone] Do you still believe in what you somewhere called "unconditional love?"

[Paler] I'll tell you the same thing I said in a lengthier confession for the magazine TRANSYLVANIA, namely, that I have only one reason to be grateful to the current regime. Thanks to it I understood something important. Namely, that I don't need any illusion in order to love my country. In the past one and one-half years I was compelled to admit to myself that we can be not only kind, patient, and generous, but also violent, hysterical, and unjust, but it would seem that sadness teaches you more than joy. I feel even more Romanian at this time. I walk about in this dusty Bucharest full of holes and roaming dogs, and now full of profiteers and cab drivers who swear at you if you're in their way, a city that stubbornly continues to have a secret charm in spite of the mud and the increasingly frequent drum rolls of the arms bearers, and I realize something that reassures me. Only now have I understood that the chimera of the "universal man" that I had romanticized in my adolescence is, for me, a nonsense, because I think that we can only have one fatherland. The others are countries.

**[4 Oct pp 1-2]**

[Text] [Tone] Tell me about some recent occurrence that came as a shock to you.

[Paler] It was yesterday. I was walking on the shore of Lake Herastrau (unless it was Floreasca, I always mix them up; anyway, somewhere behind the Primaverii neighborhood). I was looking at the sluggish lake water invaded by some kind of weeds that make it dirty and muddy. In past summers I went there several times to swim. Suddenly I ran into a metal barrier. The same barrier that forbade us to continue walking on the edge of the lake because one day Ceausescu felt like annexing part of this lake as a personal park. I tried to pass, looking for some gate, when an imperative voice stopped me. The figure of a gendarme armed with a machine gun oozed toward me from among the trees and gave me to understand that access was still forbidden to "us," just like under Ceausescu. I could not believe my ears. Does this mean that the revolution hasn't changed anything in the matter of bad habits and social customs? Did someone among the new authorities think to himself, "Why shouldn't I have my own personal park?" Actually, at the seaside in Neptun I experienced the same perplexity. The park and beach of the former Ceausescu residence continue to be guarded by machine guns. Nothing has changed except for a few details: The "Trespassing forbidden" signs are now phosphorescent, so that they can be seen at night, and the chain link fence marking the beginning of the reserved beach, where no one goes but the seagulls napping in the sun, has been moved by 50 meters, which have been ceded to "us." That's all that the revolution has achieved. Fifty meters

of beach. No one is allowed to go near the enormous park of the palace where Ceausescu's ghost resides under secure guard.... So who is it who continues to treat us like servants? Who is defying us? And why? Out of stupidity? Or in order to show us that we're stuck to the past like flies to fly-paper? Some may say, those are small details. Quite so, but life is made up of small details. Besides, the details are sometimes more significant than official speeches.

[Tone] I was struck by how often the word "despair" came up in your answers.

[Paler] One day I was thinking that I would have liked to find the strength I need in despair. A virile despair and, if it doesn't sound false, a heroic despair, where you no longer expect anything, where you no longer lie to yourself in any way, and where all you do is say to yourself: Whatever happens, I can only be the way I am. I suspect that that is a special form of freedom, the freedom imparted by this kind of despair. I often envied the proud desperates, strong in their despair.... But there's no point in dwelling on it. It seems that I stand no chance of ever reaching that kind of freedom. I am too vulnerable and...how shall I put it, I can't make up my mind to give up. I never knew how to do it.

[Tone] Have you tried?

[Paler] More exactly, I flirted with stoical ambitions, but I soon realized that they didn't suit me. There is a demon in me whispering that life is beautiful even at the age of 65 and despite the mud volcano of hatred that I see continually erupting, about which, I for one, have to admit I no longer understand a thing. In the beginning I had a theory that seemed credible to me. Ceausescu, I was saying, unwittingly played an ethical role, too. He was like an abscess that collected the entire hatred of the society. The moment the abscess broke, the hatred spilled out and infected the entire body. We entered a war waged by everybody against everybody. People who previously seemed to be reserved, even placid, suddenly became ferocious and bloodthirsty. But now I'm no longer satisfied with my theory; it seems simplistic to me. There is especially a need to insult and hurt of which I never imagined we were capable. At times I feel like I'm in a bad dream. It's impossible, I tell myself, to have in our nature the kind of filth that is now attacking us. Or was it that those who said we were kind and humane were lying? Once again, I am fortunately helped by my demon who whispers that every new morning is a promise and that one more trouble doesn't matter; such as discovering that even your name is sometimes intentionally distorted: In one or two magazines, I'm not sure, I heard that my name was spelled with a double "l," like "Paller."

[Tone] But it nevertheless bothered you?

[Paler] Perhaps, at the beginning. Now I no longer care. As it is, I didn't see it with my own eyes, I only heard about it. Perhaps in the meantime they've tired of it, I wouldn't want to be unfair. The incredible thing was that

on the strength of that, some people thought I was Jewish, or German...which would have been no tragedy, but I was fated to be Romanian. Actually, the tinge of pain I felt the first time I heard it was not because of vanity. I remembered that my father had advised me to go back to our authentic name, Paleriu, which was changed at the beginning of the century when the village notary had the idea of shortening some name endings: Munteanu became Muntean, and Paleriu became Paler, actually with the stress on the e, as it is still pronounced in those parts. Never mind, let's drop it. Such chicaneries no longer bother me. We get used to everything, it seems.

[Tone] "And the heart gets worn out, my dear Sir," as someone was saying in Camus' "The Misunderstanding." Have you changed, Mr. Paler?

[Paler] How do you mean?

[Tone] I would be interested to know whether you are different now than before the revolution.

[Paler] I think so. After all, I think all of us are different than what we were. Remember? We lived like in a vise, under enormous pressure, in a state of painful immobility. All of a sudden the pressure disappeared and an abrupt psychological release occurred. Until then I thought that the shift to freedom must be heavenly. I discovered, however, that on the contrary, it is a trauma. I cannot forget the state I was in on 22 December at noon, when I was roaming the streets, bathed in a spring-like sun and filled with people who were embracing without knowing each other. I was living a dumb happiness. Curiously—or maybe it wasn't curious—I was feeling very tired. Still, how easy it was then to make judgments! Good and evil were naturally distinguishable. Ceausescu had fled, the Securitate, I was thinking in my enormous and scandalous naivete, was pulling back into invisible lairs or was burning archive papers in horror in order to erase its traces. Something new was wafting in the air, freedom, with all its promises. Something that I stopped believing would ever come, had come! I felt relaxed and exhausted. Who could have imagined then what was coming? Who could have suspected that the "witches," who went into hiding in order to not be "hunted," were in a few months themselves going to "hunt" down those who had forgiven them? Who could have believed that we would watch the very people who are pushing the country into disaster yelling out their patriotism? In the evening we withdrew from the streets that had become a target practice range

and went home. We watched Ceausescu's successors on television. They were wearing tricolor armbands and, in our great credulity, we were happy that they weren't stammering anymore, convinced that they loved this country so much that the power was only incidental to them. In the end, you know full well what happened and how it happened. Today I feel like a very long time has passed since then. I heard that flowers were being laid on Ceausescu's grave and I thought I was hallucinating. How is that possible, after less than two years? You remember, in the first few weeks after the revolution his name was always spelled with a lower case, as if that could help exorcize the curse that Ceausescu represented, and now flowers? And even stunning declarations like: "It was better before..." Someone has to be responsible for all that. Or will some people once again blame the people? I think that the wasting of the chances offered by the revolution is a political crime. Just as the division of the Romanian society to the point of paroxysm; summoning the miners; soiling all the values (for what purpose?); organizing a meticulous inferno of slander and disinformation and meting it out in daily doses; and the demoralization of a traumatized society are political crimes. And the madness continues. Those affected by the power disease are not willing to look back and draw conclusions.... Several times I decided to become dumb, to stop uttering a word, and to withdraw disgusted among the books I haven't had the time to read or the manuscripts I haven't had the time to finish. But I couldn't. I continue to sacrifice my books in order to write newspaper articles. I know it's useless, that nothing is changing, that we are crying in the wilderness, but I cannot do otherwise. With a heavy sense of helplessness, I nevertheless rebel against the temptations of indifference and of the "wisdom" of minding my own affairs, because I have come to detest "wisdom" and I continue to do battle against windmills. Except that in contrast to Don Quixote, I am somewhat saner and I have increasingly fewer illusions. I wouldn't want to think that illusions can grow old, too.... In these conditions, how could I not have changed? I'm afraid I've become almost misanthropic.

[Tone] Then what about the "battle for Troy" and the "battle for beauty" of which you spoke, I think, in "Cordial Polemics?"

[Paler] I fear even beauty is now soiled. I'm lucky I have my demon who is irremediably in love with life. I suspect that even in hell he would wait for the sun to rise in the morning.

**Regulations on Structure of Tripartite Government**  
*92BA0019A Belgrade POLITIKA in Serbo-Croatian*  
*21 Sep 91 p 3*

[Article by M.R.: "Foundations for Regulating Relations in Yugoslavia Established"—first paragraph is POLITIKA introduction]

[Text] Yugoslavia is a joint state of equal peoples, republics, and citizens, and is the SFRY's legal successor; a state with principles for the division of power; joint organs: the Assembly of Yugoslavia, the president of the Republic, the Court of Yugoslavia, the Constitutional Court of Yugoslavia, and the Central Bank of Yugoslavia

At a recent meeting of representatives from three Yugoslav republics, Bosnia-Hercegovina, Montenegro, and Serbia, the foundations for regulating relations in Yugoslavia were jointly established.

The "Basic Provisions" of the document, which represent an elaboration of the Belgrade Initiative, say that Yugoslavia is a joint state of equal peoples, republics, and citizens, and that from the standpoint of international law, it is the legal successor of the SFRY. Yugoslavia is an entity in international law, which means that in international relations it acts in all respects as a sovereign state. The republics in Yugoslavia adopt their constitutions independently, and the Yugoslav bodies "independently exercise their jurisdictions established by the Constitution of Yugoslavia."

The 12 sections of the "Basic Provisions" say, among other things, that Yugoslavia's republics and peoples can leave Yugoslavia in accordance with the Constitution and the law, under the condition that they cannot harm the interests of other peoples and republics. The territory of Yugoslavia is unified; the state is based on the equality of Yugoslav peoples and republics; and the equality of all forms of property, and a market economy, are the principles on the basis of which economic life in Yugoslavia proceeds.

According to the document called "Foundations for Regulating Relations in Yugoslavia," the state authority in Yugoslavia is organized on the basis of the principle of a division of power, in the form of a multiparty parliamentary republic, based on the rule of law and social justice.

Yugoslavia's joint organs will cover the areas of the monetary, banking, foreign exchange, foreign trade, and customs systems, and the system of foreign economic relations. They will also establish the foundations of the tax system, followed by relations in the Yugoslav market; they will take care of the defense and security of Yugoslavia, foreign policy, and the rights and freedoms of citizens.

According to this document, Yugoslavia's organs would consist of the Assembly of Yugoslavia, the president of

the republic, the government, the Court of Yugoslavia, the Constitutional Court of Yugoslavia, and the Central Bank of Yugoslavia.

The Assembly of Yugoslavia, as the legislative organ, will consist of two chambers, according to this document: the Council of Republics, composed of an equal number of people's deputies elected in each republic, and a Council of Citizens, which will consist of at least nine, and at most 30 people's deputies elected in direct elections in each republic and in electoral units containing an equal number of citizens. Both chambers are equal.

According to this document, the president of the republic represents Yugoslavia at home and abroad, and proposes the selection of the government of Yugoslavia, and the judges of the Court of Yugoslavia and the Constitutional Court of Yugoslavia.

The president of the republic ensures cooperation among the republics on issues that they regulate independently. The president of the republic is elected by the Assembly of Yugoslavia for each electoral term from a different republic, at the proposal of the assembly of that republic, according to the alphabetical order of the names of the republics. Constitutionally determined acts by the president of the republic must be signed by the president of the Government of Yugoslavia.

The Government of Yugoslavia, according to the "Foundations for Regulating Relations in Yugoslavia," is the executive organ of Yugoslavia, which conducts policy, proposes the adoption of and directly implements laws and other Yugoslav regulations and general acts. The Government of Yugoslavia is elected by the Assembly of Yugoslavia. The members of the Government of Yugoslavia are guaranteed autonomy and independence from the republics in their work.

The Court of Yugoslavia is the court of second instance on issues that are regulated by laws, other regulations, and general acts by organs of Yugoslavia.

The Constitutional Court of Yugoslavia ensures protection of the constitutionality and legality of Yugoslavia established by the Constitution and laws of Yugoslavia, and decides on disputes between republic organs, on disputes between republic organs and those of Yugoslavia, and on the responsibility of the president of Yugoslavia and the president of the government and the ministers in the Government of Yugoslavia—this is stated at the conclusion of the document that has been prepared by the representatives of Bosnia-Hercegovina, Montenegro, and Serbia.

**Paraga on Guerrilla Activity Plans in Serbia**  
*92BA0021B Zagreb DANAS in Serbo-Croatian*  
*17 Sep 91 pp 23-25*

[Interview with Dobroslav Paraga, president of the Croatian Rights Party, by Zoran Batusic in Zagreb; date not given: "Croatian Fifth Column"—first paragraph is DANAS introduction]

[Text] "We have to do what has not been done by the state, and since Tudjman has not prepared the Croatian state for defense, we have begun to form our own volunteer units," says the president of the Croatian Rights Party [HSP], but the HSP's neo-Ustasha ideology is repulsive to a large part of the Croatian democratic public

The central party event last week, in a Croatia exhausted by war, was the protest rally by the HSP that was held in Jelacic Square in Zagreb under the slogan "We Are Ready for the Homeland." The events at the rally, the rhetoric of the speakers, the behavior of some of those present, and also the events surrounding the rally (the extinguishing of public illumination in the very center of Zagreb), have caused strong reactions among the capital's public.

The Croatian authorities, reacting to the rally, played an undemocratic game that could be used for propaganda only by those against whom it was directed, the members of the HSP. In an attempt to diminish the effect of the gathering they used an old trick of the former regime, a strike against the electrical network. Without much consideration of the security aspects of the whole situation, the participants in the rally, but also casual passers-by and strollers, were left in complete darkness. It is not comfortable to think what consequences could have been caused in such an atmosphere by even the "most innocent" detonation of any slightly stronger popgun, since on that day, Jelacic Square was full of various emotions, but also various weapons.

Some officials, however, were obviously swayed by the assessment that any possibility of harm would be less than the harm that would be borne by the current authorities if they did not disassociate themselves, actually or symbolically, by words or lightbulbs, from the messages heard at the gathering. And actually, a great deal was heard.

The HSP has apparently definitely decided to grab the entire political space on the Croatian right wing. It is not easy to assess the limits to which that space can extend in these warlike and radical times. The fact is that compared to the rhetoric that dominated the gathering, the speeches by Marko Veselica, Ivan Gabelica, or any radical member of the HDZ [Croatian Democratic Community] sound like a gentle pastoral sermon. The HSP members openly proclaimed the glorified traditions and practices of the NDH [Independent State of Croatia], and the party's war goals are not the liberation of "Tudjman's pretzel-Croatia," but rather the establishment of a state that would encompass all of Srijem, Bosnia-Hercegovina, and Sandzak and Boka Kotorska, while it considers the instigation of a broader Balkan conflict, in which Albanians and Bulgarians would participate, to be a strategic goal. The democratic and liberal potential of a party whose activity strongly marked the process of Croatian national integration and the political scene of the 19th and also part of the 20th

century, has given way to the display of Ustasha iconography, from salutations to inheritance of its discourse to songs.

In doing so, the HSP is not taking into account a large part of the democratic Croatian public to which such iconography is foreign, repulsive, and offensive. Likewise, the HSP is not taking into account the fact that Greater-Serbian expansionist propaganda wants precisely to convince Europe that all Croats are genocidal Ustashis and fascists, or the fact that that same Europe does not want to and cannot sympathize with promotion of the ideas of a state that has gone down in history as a Quisling one, in which people suffered because of their origin, or because they were political opponents of the regime that was in power.

The HSP clearly showed that it was moving from words to deeds by presenting at the meeting their armed fighters, who had already participated in battles on the Croatian battlefield. The possible danger from the establishment of party armed units is clear even to a layman. Although the HSP's Croatian Armed Forces [HOS] are formally under the command of the National Guard Corps, in practice they serve the policy and military tactics of their own party, which only disrupts the already unclear chain of command in the Croatian armed forces. The HSP verbally and officially supports respecting the democratic rules of the political game, but a situation is not inconceivable in which its fighters would escape from any control and begin to wage their own war against internal and external enemies and settle their own ideological scores. We would thus, along with everything else, have conflicts quite similar to those within the Christian community in Lebanon.

The HSP's activity has dangerously complicated the Croatian domestic political mosaic. The actions of the authorities, who do not inspire too much confidence in these critical times, are obviously contributing to radicalism. One should hope, however, that they will be able to channel and articulate the population's accumulated negative energy outside of what the HSP is offering at the moment. The greatest responsibility in this regard lies with the Croatian government and the Croatian state's defense institutions. Without their well-considered and effective functioning in defense of the country, room will be opened up for ill-considered actions.

But let us hear what Dobroslav Paraga himself says in connection with the HSP protest rally in Zagreb.

[Batusic] Mr. Paraga, how do you interpret the fact that your gathering has received little attention in the Croatian media, and what can you say about the fact that there was no public illumination in the center of Zagreb all the way through the meeting?

[Paraga] The current Croatian authorities are actually at their nadir; they have lost their direction, and have forgotten that the previous authorities, just before they lost their position, also used such methods. I am talking about media suppression, and you also remember that

the electricity was turned off when signatures were being gathered for Ban Jelacic. Like the present authorities, the authorities at that time used a sort of "perfumed repression," thinking that in that way they could stop the Croatian people's struggle for human rights and the freedom possessed by people in the Western hemisphere. It was forgotten that such methods actually mean the authorities' inability to maintain themselves.

The current Croatian authorities cannot stand justified criticisms; they have betrayed the confidence given them by the Croatian people in the first multiparty elections. Their proponents did not want the Croatian people and the city of Zagreb to see how many people are no longer willing to support current Croatian policy in any way. The lighting was turned off deliberately, and it was not turned on even after repeated insistence from our constables, the party members who were responsible for the security of the gathering. I must say that that "sabotage" was not carried out by anyone other than the Croatian authorities, who wanted to force a boycott of that gathering, without thinking in this regard of even the most elementary security considerations. In Jelacic Square, tens of thousands of people were in the dark, and you can imagine what would have happened if even one provocateur's bullet had been fired in that darkness. Admittedly, we had snipers posted at the main points in the vicinity, but in the dark they did not constitute effective protection against a possible attack. Let Franjo Tudjman put out the light in Banski Dvori; but he had better not do it to the mass of the Croatian people, to Croatian refugees and Croatian soldiers, to our members who are just now preparing for the battlefield. Those fighters, Croatian war veterans who have already buried many friends and relatives, will remember very well what happened on that evening in Zagreb. They were treated as though occupiers had come, and not people who are dying every day for Croatia.

[Batusic] At one point during that gathering, you said that Croatia today was not in a position of fighting just against the occupiers, but also against "domestic traitors." Who, specifically, were you thinking of?

[Paraga] I was thinking of the powerful fifth column that is active on Croatian territory, of all those organized forces that are plotting, either in positions of power or in the underground, and that are acting ruthless, not just to keep Croatia in Yugoslavia, but rather to chop up and destroy it. Do not forget that Tudjman's Croatia today is not only smaller than Bakaric's Croatia—it is even smaller than in the 16th century when it was called a "reliquiae reliquiarum"; it has been cut apart at its vital points, which did not happen even at the time of the Turkish conquests. The treason that is one of the main causes of this has insinuated itself into the very top of the Croatian authorities, and is sitting in the government; it is sitting in the office of the president of the republic. Like a cancer, it has spread throughout the entire ruling body of the Croatian authorities, primarily through the KOS [counterintelligence service] and the SDB [State Security Service] and their people.

I can only attack most sharply all those, including the president of the republic, who have made it possible for the fifth column to take over them, themselves, and all of Croatia. I see that the people who jailed me and many other political activists are in key positions in Croatia today, from the prosecutor's office to the police. One of them, who participated directly in the arrest and liquidation of my friend Ernest Breider, is today heading the security of the president of the republic and strolling around Banski Dvori.... The only thing that we can say is that we will have to deal equally harshly with the Chetniks and Serbian Communists on the front, as well as with the fifth column. Now such people think that their time has come again, but they ought to know that these are illusions, that at least we in the HSP are ready and that a vile end awaits them.

[Batusic] It is clear to the Croatian public that a long and difficult struggle is ahead for regaining control of Croatian territories. At the gathering, you said that the HSP was working on shifting the struggle to non-Croatian areas. What does this actually involve?

[Paraga] Our plan is not to conduct any sort of defensive defense, but rather a struggle for the liberation of the Croatian people and of the independent Croatian state. We want to move into an active phase of the war and attack the aggressor, not only in the areas where he is currently located, but also to shift the war to the state from which the aggression is being carried out. We have a council of war, and we have included in it superbly trained experts from abroad; we are in contact with a former NATO commander, an American admiral from Texas, Bill Creege; we are contacting and actively cooperating with some high officers in the British Army, and our activity is anything but amateurish. Our fighters have an extremely high combat morale; they do not need brandy, and they do not drink; they are not cutthroats and they do not pluck out eyes, but they do not have, nor will they have, any mercy toward the Chetniks and the Yugo-Serbian rabble of soldiers who are massacring the Croatian people. In short, our goal is to shift operations and strike our enemy from the rear. They think that they have conquered Baranja, but soon they will not even have Zemun, much less Baranja.

[Batusic] Does this mean that you are planning guerrilla and terrorist activity in Serbia itself?

[Paraga] Yes. For the time being our units are trained for guerrilla warfare, after the model of the Mujahedin, and they are organized in the same way, for raids and action in the enemy's rear.

[Batusic] To what extent in the rear? Sabotage in Serbia? Blowing up some strategic installations?

[Paraga] I cannot tell you specifically about the objects of attack in Serbia; there is something called a military secret. I can tell you with certainty, however, that the Croatian units will inflict blows at strategic points in Serbia and its roads toward the south. Their air force, which is flying above Croatian territory, will also be

blocked soon, both by our activity in the rear, and by a decisive response on the battlefield. We will not ask any more whether any flight is for reconnaissance or attack. We will destroy all military aircraft flying over Croatia, and we have the means to do so.

We are not thinking of ending the war with a victory at Vukovar; we will continue it until Croatia is established in its historical and natural borders; we will fight at Novi Sad, at Srijem, and at Zemun. We will strike in coordination from the south as well; we will not allow Serbia to keep annexed Albanian territories, and to act as well against Bulgarian national interests. The battlefield will spread, and we will not stop until we have reduced them to their natural and historical borders—i.e., the Serbia of the Belgrade pasha's jurisdiction, the Serbia of 1912.

[Batusic] Are you then completely accepting the salutation "Ready for the home!" and the singing of Ustasha songs, which everyone could observe at your gathering, as part of the iconography of your own party?

[Paraga] At our protest rally people sang Croatian fighting songs, and among them were songs that were sung at the time of the NDH. These are songs which can be heard today on the battlefields in Croatia; you ought to look into bedrooms and barracks and see who is, to some extent, the ideal for a Croatian soldier. It is not the Croatian partisans, and there is no Tito or Franjo Tudjman where Croatian soldiers are fighting for their own homes. A Croatian soldier today can only identify himself with 10 April and the NDH. They are not fighting for the Croatia that was proclaimed by Franjo Tudjman; they are fighting for a complete Croatia. They are singing songs that do not insult anyone; they are songs that give people morale, and one can see from them what keeps people in combat; no one has been able to erase those fighting insurgent songs from the consciousness of the Croatian people. I repeat—these are patriotic songs, and if someone calls them Ustasha songs, then he must know what he has in mind. If he thinks that these are fascist songs, Nazi songs, then that is a distortion of history, because the Ustashis were neither fascists nor Nazis. That is a sense of guilt that has been imposed upon the consciousness of the Croatian people in order to justify genocide against the Croatian people today. We are not apologists for the acts of the Ustashis, but we are in favor of having the historical truth fully revealed and hearing the other side as well, so that the Croatian people can judge who speaks the truth.

[Batusic] How do you view the fact that a large part of the Croatian public, whose patriotism cannot be denied, does not view that iconography with sympathy?

[Paraga] We are in favor of freedom of opinion, and thus also for a diversity of positions which we will respect fully, both on the part of individuals and other parties. Iconography? What iconography is that? We do not have any swastikas or similar symbols....

[Batusic] Pardon me, but at the gathering your members greeted each other with the well-known raised arms....

[Paraga] Those raised arms are not an HSP greeting, nor a greeting that we accept, since that greeting was practiced in history by those who never wished the Croatian people well. We do not want to identify ourselves with fascists or Nazis, either former or present ones, because we have absolutely nothing to do with that ideology. Why Tudjman tells foreign journalists that we are fascists—well, he is a lot worse than a fascist; he is a person who decimated the Croatian people in the name of communist ideology. Let us just recall Bleiburg and Jazovka. And when our boys raise their arms, we warn them not to do it, because it is not a Croatian greeting and we cannot accept it by any means. The ideology that used that greeting is alien to us, and our teaching considers all people equally valuable and with equal rights, both Serbs and Croats. The Serbs in Croatia, however, are Croatian citizens first. If, then, they think that Serbia is their motherland, then they are foreigners here, and we will settle this with three-month visas and work permits, without which they will have to leave our state.

[Batusic] It is well known to the public, and finally apparent, that the HSP has organized armed units. That precedent of party armed units may be dangerous to the development of democracy in Croatia. How do you view that problem?

[Paraga] We accept the legal, democratic political game; we are not putschists. We have to do what the state has not done, however, even though it has been partly occupied. Franjo Tudjman did not prepare the Croatian state for defense. Therefore we, after the attack against the Slovene Republic, began to form volunteer units. That was our patriotic duty and obligation.

We are arming people and training them, and they are going to the front lines. Formally, they are part of the National Guard Corps [ZNG], and consequently they are not paramilitary units. They have their own command there, but a considerable number of the commanders are in the ranks of the HSP. We do not allow our people to be led by a member of the former UDB [State Security Administration] or KOS, as has been the case with some other ZNG units which have been led to disaster. We do not want to wait for Tudjman to announce mobilization in a situation that is a cease-fire to him, but a war to me. Tudjman has already taken the Croatian people to one Bleiburg and to one Jazovka, and I am not letting him do it again. He was not sent by God; he only won an election.

Today we are doing our duty, fully aware that we are soldiers, and no one can prevent us from doing it. We are using our detachments exclusively for the defense of Croatia, and it is absolutely impossible that they would be used in a political struggle or as a means to promote political interests or seize power. We are ready, however, to resist sharply, by force of arms, any form of violence that would come against us from Croatia itself with the aim of stopping us in our organized resistance to the

aggressor, even if it were state violence resulting from the logic that the state has a monopoly on physical, military force.

**Croatian Information Minister Interviewed**

92BA0022A Zagreb DANAS in Serbo-Croatian  
17 Sep 91 pp 34-35

[Interview with Branko Salaj, Croatian minister of information, by Gojko Marinkovic; place and date not given: "There Will Be No Censorship"—first paragraph is DANAS introduction]

[Text] The Croatian minister of information says that the government has sent an ordinance to the president of the republic on wartime information, but thus far it has not been signed.

Defense, the police, and information—these are the three sectors with which the new Croatian government has not had very good luck. Many people have paraded in and out of these ministries, and during the latest restructuring and the creation of the government of national unity, no suitable person was found for the post of minister of information. After much searching, Branko Salaj was named to this post, a man who lived for a long time in Sweden and returned to his homeland only recently.

[Marinkovic] Why has no person been found thus far who can properly organize information in the republic, and why has it taken so long to establish a new concept?

[Salaj] Since I come from a different setting, the situation seems more dramatic to me than it might seem to someone who is directly from here. It is a long and difficult process, so that one should not expect too much, from me either. Something must be done, and I am trying to do that. We are all a little bit caught up in the problems being faced by this new state, problems shared by all of Eastern Europe, and we are moreover confronted with a war situation that is forcing us to solve problems from day to day, from hour to hour. Over these last few months, there has not even been time to broach deeper, systematic questions.

[Marinkovic] Could one not in fact say that the situation here is identical to that in Eastern Europe, and that we are starting at square one, because even before the election information played a significant role in democratization?

[Salaj] Well, we are not starting from square one, but the little bit that I have seen is in fact not very pretty. For me, it was a pleasant surprise to learn that there are a number of people who know how to write coherent analyses, but nevertheless we are still ailing, and not only because 90 percent of all journalists belonged to the former party; rather, even more so because of the strong self-censorship, with regard to the government, to colleagues, in journalistic ethics. On the other hand, I believe that there is a terrible level of distrust between

people, because when something does not go as expected, it is whitewashed. And you, as journalists, receive information that you have to comb through three or four times until you are certain that you are somewhere near the truth. You are victims here of an attitude towards reality that is deadly to journalists.

[Marinkovic] Together with what you are saying, it is being alleged with increasing frequency that there is a tendency in Croatia for newspapers to unify, and everyone who sticks out is proclaimed an enemy, while attempts are even made to eliminate them.

[Salaj] I do not know what you are thinking about here, but I have not participated in this sort of activity, nor do I plan to do so. There are charges to the effect that the Croatian government wants to unify the public information media. It is true that the people who are in the government have in some sense inherited part of the old way of thinking, but it is a fact that the HDZ [Croatian Democratic Community] has not enjoyed the level of support that was expressed for it during the elections. In this type of situation, the result has been confrontation, but this is a transitory phenomenon, and people will learn that it is in everyone's interest to have a free press and that free information is essential to any democratic society, because it provides insight into matters to which the individual would never have had access otherwise.

[Marinkovic] One prominent Western diplomat declared recently that the level of democratic liberties in Croatia and Slovenia is lower than in Serbia. What do you have to say about that?

[Salaj] We are seeing this sort of provocation, and I would in fact assume full responsibility in calling it provocation. Because regardless of how much cause there is for dissatisfaction with many things in the Croatian press, when we look at this other case, at what is happening in the Serbian press, we see that things are really hair-raising. You can see for yourself how journalists are being persecuted there, the major problems that they have; this is a purely commissar-style method. I am not saying that such tendencies do not exist in Croatia as well, but here there are clearly a number of news sources, including DANAS, that are on the sidelines and can say: We are something different.

[Marinkovic] What is the fate of the Law on the Press, to which your predecessor devoted a fair amount of effort, and which has been the subject of such extensive and lengthy debate?

[Salaj] As far as I know, it is under discussion in the Assembly, and I hope that there will not be any major problems with adopting it. I have yet to complete my examination of it, but I do know that it is liberal in conception.

[Marinkovic] How can the democratic image of the public media be maintained amidst this war situation where the government perhaps feels a need to control information?

[Salaj] I support avoiding direct decrees even under these conditions. However, in the event of full-blown war, there are naturally covert measures, which in fact all countries have. I support consultation and voluntary measures, appealing here to people's patriotism. I believe that the vast majority of people working in the field of journalism are not enemies. They may have political differences, but their basic point of reference is the good of this country and of its population. But even if we approach problems from different political and ideological points of reference, different life experiences, it is still essential that we have enough confidence in each other. This places heavy demands on journalists, because it reinforces the need for self-censorship, which in turn is not a good thing, but is still better than having us dictate yes to this, no to that!

In the Ministry, we are trying to be of service and assistance to journalists in evaluating what is damaging from a military or even a political point of view. In a situation where the entire nation is faced with the issue of its very existence, I personally am in favor of not allowing ideological points of reference to be more important and of allowing fundamental political discussion.

[Marinkovic] So you will not impose censorship?

[Salaj] As long as we do not have full-blown war I won't! In a full-blown war, it is quite possible that censorship will be imposed. But once again, it seems to me that if you look at the world today and its information links, then censorship is a somewhat obsolete concept. Even in the United States there are problems with imposing censorship.

[Marinkovic] Does that mean that in the famous decree signed by the editors of HTV [Croatian Television], prescribing the manner of reporting from the battlefield, it was inaccurately stated that a law on wartime information has already been adopted?

[Salaj] That was a misunderstanding. However, the government has sent an ordinance to the president of the republic relating to wartime information, but he has not yet signed it.

[Marinkovic] On television, it is primarily Croatian programs that are being broadcast, while on the other hand there are also problems with access to the Belgrade press, which creates the impression that Croatia is experiencing a sort of information blockade. To what extent is this true?

[Salaj] There has been a halt in the sale of newspapers because of the war and the impossibility of ensuring transportation to and from Belgrade. There are no bans in effect, although during the war, for example, German newspapers were not sold in England, nor English ones in Germany. But we are interested in what Serbian public opinion thinks, and on the other hand our newspapers should make it into Serbia as well. I am in favor of a flow

of information, although it is said that the written word can be more deadly than bullets.

[Marinkovic] The opposition alleges that it does not have access to television, and mention is made of the shutting down of Yutel [Yugoslav Television] broadcasts. Do you not think that the competition for information is always dominated by the side that is more democratic, and that one should not be afraid of this type of competition?

[Salaj] As far as the first part of your question is concerned, I think that in the present-day situation we should not have political broadcasts by individual parties, including the HDZ. I do not know enough about Yutel, but what I have seen is not in keeping with the Croatian information and political concept in the least. Under the existing conditions, the "Tv-izbor" [TV Alternative] program seems to me to be a more interesting initiative, because light is shed on each event from various viewpoints. That appeals to me more than Yutel broadcasts, which in the name of independent journalism promote a political conception that does not meet with much response in Croatia. The question is whether channels and frequencies should be opened up to just anyone. The Swedes, for example, are very restrictive about that. Naturally, one should not resort to excess restrictions either. These rules are clearly established in democratic models. We too must aspire to that.

### **Role, Status of Croatian Emigres Discussed**

92BA0022B Zagreb DANAS in Serbo-Croatian  
17 Sep 91 pp 26-29

[Article by Martin Dambas: "Narrow Doorways of Presidential Palace"—first paragraph is DANAS introduction]

[Text] Although emigres did not support the HDZ [Croatian Democratic Community] for their own gain, but rather in order to ensure the defeat of the Communists and to allow them to return to their homeland, it appears now that some of them are nevertheless amazed that the government has not relied on the more prominent among them to a greater and more concrete extent.

The allegation by former presidential advisor Darko Bekic, expressed recently in DANAS, concerning the negative influence of Croatian political emigres on Presidential Palace policy, has elicited bitter, but also contrary reactions among the Croatian emigre community, while among the domestic public doubts have been raised about current political relations between local and emigre Croats, previously divided by an "iron curtain."

### **HDZ Assembled Cream of the Crop**

About a year and a half ago, the Croatian election campaign was transformed into a true honeymoon for Croatia and its emigre community. This was the period when the leading figures in the newly founded parties set out freely for the first time on political tours of Europe,

America, and Australia, collecting members and money for the upcoming electoral battle. The response by the emigre community was enormous, and the mood at various grandstands and preelection gatherings was one of euphoria. The first to approach the emigre community was the HDZ, and as it turned out subsequently, that party achieved a critical advantage over its competition. Thanks to its significant head start, it assembled the cream of the crop in terms of both membership and financial resources.

Naturally, the political and material strength of the diaspora remained an attractive morsel after the election as well, and besides the most successful hunters for emigre support, the HDZ and HDS [Croatian Democratic Party], the others too tried their luck. In recent times, the greatest success in this has been achieved by the HSP [Croatian Party of Rights], whose leadership contends that after the HDZ, they have the best organized and most numerous branches, with a total of 25,000 members. The HSP, in contrast to the HDZ, which has won over most of the economic emigre community, is being joined primarily by the staunch part of the political emigre community. Smaller parties, such as the liberals and social democrats, began founding branches abroad right after the elections, and they account for several hundred members and sympathizers each, primarily from the ranks of the technical intelligentsia in large cities of Europe and the United States. Initial success was also achieved by the SDP [Party of Democratic Changes] (primarily in Germany) among people with a socialist orientation, but in order for it to attain greater popularity in the diaspora, it will have to wait until the memory of the hated Communist Party fades.

No systematic research into the Croatian political emigre community has ever been conducted; indeed, not even an approximate number of Croatian emigres and their descendants has ever been established. Dr. Ivica Nejasmic, a scholar at the Institute for Migration in Zagreb, contends that up to now the number of emigre Croats has been offhandedly manipulated, whereby factors have been consciously ignored that have the effect of reducing their numbers, such as assimilation or mortality. Thus, the figure of four million emigres often cited in recent times was derived by inflating the data, based on the principle that a Croat is anyone who has at least one drop of Croatian blood flowing in his veins. Similar exaggerations have occurred in the past as well, during crisis situations in Croatia, such as in 1915 when the Yugoslav Committee alleged that it had up to one million Croats behind it. According to projections by Dr. Nejasmic, there are around two million Croats living in exile, which still constitutes one of the largest European diasporas.

The Croatian diaspora consists of national minorities in neighboring countries, classic emigrants and their descendants, and contemporary emigrants, who largely drawn abroad by jobs. Between 1850 and around 1980, about 1,150,000 people emigrated from the territory of Croatia, or one-third of the average population, which is

why Croatia today is in a very unfavorable demographic situation. The vast majority of the emigres were Croats (around 740,000).

An atlas of Croatian emigres has not been put together either; it is estimated that around 50 percent of them live in North America, around 30 percent in European countries, and the remainder in South America and Australia.

#### Starcevicists and Springists

With the electoral revolution and the consignment of Yugo-communism to the scrap heap of history, the Croatian political emigre community too underwent major changes. The type of political emigre community that existed only two years ago is no more—many organizations have been disbanded or cut back in size, while their members have joined newly formed parties. Thus, in Croatia the formerly defamed "Ustashi" and "terrorists" left the underground in favor of the public scene, enjoying for the first time the opportunity to openly present themselves to the homeland. There followed numerous interviews and articles in the local media, which gradually redressed prejudices instilled by years of propaganda. It became apparent that the vast majority of the Croatian emigre community had no ties with terrorism, and that it too was deeply divided in political and ideological terms.

Even during the time of the old Yugoslavia, many people had fled Croatia for political reasons. The emigres at that time were primarily communists and Ustashi. After 1945, we saw the departure of all those who were on the losing side during the war, but also of many who for various reasons did not agree with the communist regime. Among them was a considerable number of intellectuals, from whose ranks the first postwar political emigre community was recruited. Despite difficult living conditions, they remained politically active, reviving old organizations and founding new ones, and issuing publications. Pavelic and some of his followers founded the Croatian Nation-Building Party, while the HSS [Croatian Peasant Party] continue to function in exile. In time, factional struggles took place, which gave rise to new organizations.

Maks Luburic broke off from Pavelic and founded the Croatian National Resistance, while the Croatian Nation-Building Party became the Croatian Liberation Movement, which after Pavelic's death split into orthodox and reformist wings. Some of the former Ustashi who had fled to Argentina founded the Croatian Republican Party [HRS], while Branko Jelic, who had already split with Pavelic before the war, founded the Croatian National Committee [HNO]. Despite their mutual differences, all of these organizations were based on Starcevic's ideology and sought the restoration of a Croatian state "from the Sutle to the Drina." Some, such as the HRS and HNO, accepted liberal ideology and put forth the idea of national reconciliation between Croatian leftists and rightists and their further common struggle for a Croatian state. The emigre community

gained new blood after the 1971 debacle and the flight of a number of "Springists" abroad. For people researching this period, it might be of interest to note that some of these deserters—such as Bruno Busic, Zlatko Markus, Ivan Cerovac, and Franjo Mikulic—were sent to Jaksa Kusan in London, an emigre of many years' standing and editor of NOVA HRVATSKA, by none other than Franjo Tudjman. One circle of Springists gathered around HRVATSKI LIST, which was originally published in Mainz. At that time, several leftwing organizations also emerged, such as the Croatian Socialist Party, which, because of the West's stubborn support for a unified Yugoslavia, sought assistance for the "Croatian cause" in the East.

An attempt was made to transcend the organizational and ideological factionalism that had long dulled the cutting edge of the emigre political struggle through the founding of the Croatian National Council [HNV] in Toronto in 1974. The HNV was conceived of as an umbrella organization that would bring together all or at least a majority of emigre parties and movements, regardless of political orientation, but with time it too began to act like a party. After the second HNV congress, held in Brussels in 1977, when prominent Springists as well entered the Council by way of elections, the conflict between younger newcomers and older emigres flared up. After the murder of Bruno Busic in 1978, the conflict worsened, leading to a split in the HNV: Some of the Springists left it to found the Croatian Nation-Building Movement [HDP] in 1981. The liquidation of Busic, which to this day has not been entirely cleared up, occurred at the very moment when he was intensively engaged in reconciling and unifying opposing groups of emigres, especially former Ustashi and Partisans and their descendants, which obviously became too dangerous for the Yugoslav regime.

#### **UDBA, CIA, and KGB**

Croatian emigres too have shared in the fate of their political fellow sufferers around the world (besides the Yugoslav secret police, which since the war has killed a hundred or so Croatian emigres); the entire time, an aura of mutual suspicion and accusations has accompanied them, like an evil spirit. Thus, to some rightwingers, the Springists had a pro-Soviet orientation; many accused the HDP of ties with the KGB; the HNV was allegedly created by the CIA in order to more easily control the money of Croatian emigres; radical organizations (such as the Croatian Revolutionary Brotherhood, Otpor, or the HDP) were suspected of cooperating with the UDBA [Yugoslav State Security Administration], etc. However, although the activities of many emigres were under the surveillance of (and sometimes financed by) various intelligence agencies, the charges that came from Yugoslavia about serving the interests of foreign powers, and especially about alleged terrorism, were mostly part of the propaganda war. A relatively small segment of the emigre community is involved in politics, while the majority is active in various folklore and cultural societies (although even they were often suspect to the

Yugoslav regime), while the majority of politically active Croats were in moderate organizations.

The emigre community saw the elections as a unique opportunity to make their political ideals a reality by democratic means, especially the nation-building program and national reconciliation, and to ensure their own free return to the homeland. This is why all the forces hurried to help the party that would make this possible, which, in the majority opinion, was the HDZ. This fact is confirmed by several prominent (former) emigres. Thus, Tomislav Krolo, the current president of the Croatian National Committee, says that during the election campaign his organization gave its full political and material support to the HDZ. The same was true of the Croatian Republican Party, and one of its leading figures, Kazimir Katalinic, adds that they did so even though they were ideologically closer to certain other parties. For them, the most important thing was to support the party that would have the strength to topple the communists and launch the process of national liberation.

This cooperation, or rather absolute support, continued after the election as well, and criticism of the new government was more or less sporadic. Krolo says that thus far the HNO has approved of all the moves made by the Croatian government, and it is only recently that it has started to question the poor preparations for defense. Specifically, if Tudjman was unable to publicly acknowledge that Croatia did not have adequate weaponry because of the situation in Yugoslavia, then he should have notified the diaspora. In addition, suggestions have come from the HDZ leadership that the HNO be dissolved, but they have not done so, because they are not sure that the organization will not be needed in the future. The HRS has not criticized Tudjman either, because it has considered the majority of his moves to be just. They say that there have been hysterical reactions among part of the emigre community, with demands for radical action, but the party's leadership has opposed such moves.

#### **No One Holds Sway Over Tudjman**

Thus, is there any basis for allegations concerning emigre radicalism and pressures on Tudjman, and can the emigre community be blamed for the failures of the Presidential Palace? According to Jaksa Kusan, who recently returned to Zagreb and is now working on getting HRVATSKI TJEDNIK going again, it was possible for extremists to exert influence on Croatian politics because people from the HDZ did not have any prior knowledge of the emigre community and accepted anyone into the party. This was an opportunity for the more radical current to revitalize itself through links with the HDZ. However, emigres who have taken on more important political functions are very loyal to Tudjman, so that it can be said that he exerts more influence on them than they do on him. According to some well-known emigres, they were not consulted about possible directions of Croatian policy, and they had no

influence whatsoever over the selection of the government and its actions. Moreover, Tudjman has not included a single prominent emigre in the government, which in some emigre circles is interpreted as his fear of competition. Thus far, the Croatian authorities have not even listened to moderate emigre circles, much less radical ones. Tudjman himself has attracted the greatest amount of sympathy among emigres and received the largest amount of financial support, but the emigre community has not exerted political influence on him, because it has been unable to do so—he has had his own ideas, according to which he has pursued his own policy.

There is clearly dissatisfaction with Croatian policy among the emigre community, but it is generally provoked by different reasons. The emigre community was surprised by the HDZ personnel policy immediately after the electoral victory. Among emigres, the most important posts in the government were given to less-known people, who played a politically second-rate role in the emigre community or were not even involved in politics, such as Sarinic, Susak, Milas, Mrsic, or Salaj. Tudjman paid them back for their monetary contributions and help in the election campaign by giving them the more important posts. Susak in particular must be mentioned in this context; he played an important role in collecting money for the HDZ's election campaign. The complacent attitude of the new authorities towards political chameleons has also provoked a great deal of commentary. It appears that the HDZ emerged victorious too quickly, and numerous opportunists and careerists jumped on the victory bandwagon.

All of this has been accompanied by expressions of certain old forms of intolerance. An illustration of this is the position of Mladen Schwartz (naturally, there are also completely opposing views), who criticizes Tudjman for choosing Branko Salaj as the new minister of information. In Sweden, Salaj was the president of the Matija Gubec organization, which was concerned with culture and folklore, and not with politics, says Schwartz. After the famous assassination attempt on Yugoslav ambassador Rolovic by Miro Baresic, Salaj sent flowers to Rolovic in the hospital in order to distance himself from Baresic. Despite the fact that Rolovic was injured, Salaj should not have done this, according to Schwartz, because Rolovic was not only an UDBA agent, but also—in Schwartz's opinion—one of the people responsible for the massacre in Maksimirka Forest, when around 5,000 girls from the Ustasha Youth were brutally slaughtered at the end of the war. With respect to the charge that the government has not turned to successful Croatian experts, it is true that we have plenty of capable experts abroad, some of whom are also close to Western governments, but the problem is that these governments are not close to us, says Schwartz.

According to the general assessment, the Croatian emigre community has always survived solely on the basis of its work; politics has been a hobby for it, but not a way to achieve tangible gains. It has done its job while it remained impossible to freely engage in politics in

Croatia, it has influenced Croatian dissidents just as they have influenced it, but with the shift of the political (and armed) struggle surrounding the Croatian question to the homeland, its role became secondary. This is why the emigre community's influence on events here should not be overestimated. Nevertheless, it is still possible to assert with great certainty that if there had been no Croatian intelligentsia, clergy, and political emigre community, it would have been difficult for the idea of Croatian self-determination to develop into the active revival of an independent Croatian state.

[Box, p 27]

**"Ivan Milas, Chairman of Assembly Commission for Elections and Appointments: Emigre Community Backed Tudjman"**

Darko Bekic says that the HDZ has depended too much on the diaspora, because it helped the party during the election and did so on the lowest levels, the nationalist, occasionally fascist and primitive ones, and that they repeatedly influenced the radicalism of Croatian politics—but it was also necessary to rely on our people who have positions and good ties throughout the world. It amazes me that a doctor of science could even have such misconceptions about relations in world politics—when our people abroad enter into some sort of service, they must strictly implement the policy that has been charted. No one can serve the U.S. government and pursue Croatian policy. He is paid for work that he performs in service to the United States.

Moreover, this stratum of our people is so tenuous that it is unable to do more than what it has done. The fact that someone teaches at some foreign university does not mean much more than teaching in, say, Rijeka or Split. Croatian politics has not been pursued from abroad, but rather within Croatia. The HDZ movement emerged here, primarily based on the Starcevic tradition, the idea of national reconciliation, the need to create a Croatian state. Ultimately, the emigre influence on Croatian politics has been insignificant. The key figure in the formulation of Croatian politics is Dr. Tudjman, and what he is now carrying out is something that he wrote about long ago ("Velike ideje, mali narodi" [Big Ideas, Small Nations], "Bespuca" [Roadlessness]). Anyone who reads his books can see that he has remained very true to form.

There is no institutionalized organization of emigres that could apply pressure on Tudjman; on the contrary, they followed Tudjman, who had ready ideas. The criticism to the effect that Croatian politics is under the influence of the diaspora is ordinary manipulation by people whose ambitions have been thwarted. Former communists have more influence over Croatian politics than does the entire emigre community—these people continue to hold important positions in the economy and the cultural scene, in the police, and on television and radio.

Despite the very difficult situation in Croatia, I would say that it is still better than my expectations, which were

very bleak. In Yugoslavia, Zagreb was always simply a branch office of Belgrade, and those who assert that we have lost part of Croatia are seriously mistaken. Croatia has always been treated as an extension of Serbia, and since we want it to be sovereign, and two sovereignties are not tolerable, Serbia launched the war against Croatia. While I was in exile, I daydreamed about how we would establish a guerrilla unit to fight the occupier in the homeland. I am still amazed that the occupier allowed us to form an army.

### Interviews With Croatian Diplomatic Representatives

*92BA0022C Zagreb DANAS in Serbo-Croatian  
17 Sep 91 pp 28-29*

[Unattributed interviews with several Croatian diplomats; places and dates not given: Croatian Offices: Because of Yugo-Diplomacy—"first paragraph is DANAS introduction]

[Text] Croatian representatives in the United States, Germany, and Japan agree that their only real problem is that Croatia still lacks international recognition.

Despite the frequent criticism of the failure to exploit the emigre potential, links between the homeland and emigre Croats are continually improving, a process that is being promoted by the foreign offices of the Republic of Croatia, as they are officially called. At present, the Republic of Croatia has 14 representatives around the world: in Johannesburg for South Africa; in Munich and Stuttgart for Germany; in Salzburg for Austria and the European Parliament; in Brussels for the Benelux countries, the EC institutions, and NATO; in Lugano for Switzerland; in Paris for France; in Toronto for Canada; in Washington for the United States; in Tokyo for Japan; in London for Great Britain; in Buenos Aires for Argentina; and in Oslo for Norway. Several Croatian representatives, who may soon be ambassadors, talk to DANAS about their work and plans.

We asked the manager of the Washington office, Dr. Frana Vinko Golem, what the reasons were for opening up a Croatian representative office in the United States.

[Golem] The first reason was that the United States, as the number-one world power, is important to all small nations that are seeking their future in democratic changes. The second reason is the size of the Croatian emigre community, the true numbers of which are not known, but it is estimated that around 1.5 to 2 million of our emigres live here. And then the third reason is that in the United States in particular, anti-Croatian propaganda was so well-developed that we could not have expected anything good from the Yugoslav Embassy and many other diplomatic representations, nor from TANJUG. The Croatian office was established in order to have someone talking truthfully and coherently about Croatia.

[DANAS] What are the concrete functions of the office?

[Golem] One of the main functions is to communicate with the public media, which are an important factor in the formulation of U.S. policy, especially foreign policy. To this end, we have held countless press conferences and given several interviews on American television and radio and in the press. The office also organizes the Croatian diaspora, and since it opened, I can say that the diaspora has been completely consolidated and unified in its assistance to Croatia. The most important role of the office is to establish contacts with the U.S. Administration. We have contacted numerous congressmen, senators, foreign policy offices, etc. However, the policy of the United States right now is to regard the Yugoslav question as an EC problem, while the Americans will only attempt to help the Community to find peaceful solutions. Furthermore, the office is involved in organizing demonstrations by Croats, including prominent representatives of the diaspora.

[DANAS] What level of cooperation do you have with Croatian and American authorities and media, and what level do you have with the Yugoslav embassy?

[Golem] We are in contact with the Croatian authorities every day, especially the Ministry of Foreign Affairs and the Office of the President. The information that we receive is not always the most up-to-date, but the level of cooperation is improving every day. We have no ties whatsoever with the Yugoslav embassy. We have not even contacted them. As far as the American authorities are concerned, I think that the attention that individual authorities in the U.S. Administration are giving to Croatia is very good, but overall policy is still sluggish and immovable, and we still cannot depend on it. But after the opening of the office, the American media almost did a 180-degree turn with respect to Croatia. Although I must say that certain statements by Darko Bekic in DANAS elicited dissatisfaction among Croatian emigres and inflicted a certain amount of damage on the policy being pursued by our office in terms of the U.S. Administration.

[DANAS] Who visits your office, and why?

[Golem] Thus far, it has been mostly Croats, but the office for information is regularly visited by a large number of prominent Americans, whose interest in Croatia is growing day by day. But thus far, we have also been contacted by a number of Bosnia-Herzegovinian Muslims, Macedonians, and others. Most of them are looking for information on people who have died, inheritances, various documents, powers of attorney, etc.

[DANAS] How is your work financed, and is it true that the office's account was opened in your name?

[Golem] Our work is financed by voluntary contributions from our emigres, who clearly recognize that in this situation Croatia is unable to support the office financially. For now, we have two staff members, myself and a secretary. We spend between \$15,000 and \$20,000 a month on rent, various expenses, and salaries. The account was opened in the name "Frana Golem—Office

of the Republic of Croatia" for technical reasons, because it takes several months for a nonprofit organization to get a bank account. After a while, I will provide information on our finances to the Ministry of Foreign Affairs. In the meantime, I have set up an advisory board of 12 prominent Croats from all over the United States, which will elect a supervisory commission to look after revenues and expenses.

#### Uncultured Consul

Josip Pavesic, the office manager in Munich, talks about his work in Germany:

[Pavesic] There are two people working in the Munich office, together with occasional help from volunteers. We are financed by the Croatian government. The Bavarian authorities have sanctioned our work, and we enjoy a better-than-good level of cooperation with them. We are in contact with several Bavarian politicians or with someone from the Bavarian government every day. The office opened on 16 March and partly because of it, and partly because of the unfortunate conditions in Croatia, every German today, even the least educated ones, knows where Croatia is and what is happening there. We have given several dozen interviews about this. When I assumed my duties, I visited the Yugoslav general consul in Munich and invited him to visit me. Thus far, he has not done so, which I regard as uncultured, and thus as diplomatically impolite.

The office is open to all citizens of Croatia, but we are visited not only by Croats, but also by Serbs, Albanians, and Czechs, and Germans too have often come looking for information, especially at the beginning of the war. We have also seen Croats and Muslims from Bosnia-Hercegovina. The Croats have been angry that we have not issued passports, but we cannot do that until the government of Bosnia-Hercegovina authorizes us to do so. In general, we are visited by many people looking for advice or seeking information on life in Germany. We help them as much as we can, sending them to the right addresses. We have also seen refugees, but we have had to turn them away, because they must check in with the Red Cross and other institutions for registering and helping refugees. Thanks to this office, the Bavarian government has accepted 50 children at a school dormitory, at government expense. The Croatian government only paid for transportation.

The office does not organize Croatian demonstrations in Germany; the parties do that. The biggest criticism by our emigres is that we are very short and expeditious, but we have to be that way, because a lot of people pass through our doors. But our biggest problem is that we are still not diplomatically recognized.

#### Privately With Japanese

Midhat Arslanagic, the office manager in Tokyo, talks about the peculiarities of working in Japan:

[Arslanagic] Japan is an economic superpower, and that was the critical factor in deciding to open the first Asian office in Tokyo. Our number-one task is to develop economic cooperation and tourism, and right now we are also explaining the situation in Croatia every day, as well as the overall Yugoslav crisis. Although Croatia's problems are on the front page of the daily newspapers and on the main television broadcasts, many Japanese have thanked us for the explanations that we give them.

Unfortunately, Croatia still lacks international recognition, so that all of our relations with Japanese officials are reduced to private contacts. We are contacted by a large number of Japanese and members of embassies (the Austrians, for example), who express their sympathy and encourage us. Many Japanese friends have offered us contacts with various humanitarian organizations, but since only the official representation of an internationally recognized state can request aid from humanitarian organizations, we decided to take action in helping the wounded and refugees.

The office is regularly contacted by Croats, seeking information on the current situation and offering help, but since they are here practically in temporary jobs, they are not able to offer significant financial support. There are three people working in the office—the office head, a Japanese staff member, and a staff member for the Croatian and English languages. Since Croatia is materially exhausted after its many years in the SFRY, it is hard to expect regular financing; there is an office budget, and since it is very modest, we expect it to be accepted shortly. The only real problem of this office is that Croatia is not recognized internationally.

#### Conflict in Bosnia-Hercegovina Defense Ministry

92BA0019B Belgrade BORBA in Serbo-Croatian  
23 Sep 91 p 3

[Article by M. Lucic: "Minister for Divorce: Conflict in the Bosnia-Hercegovina Ministry of National Defense"—first paragraph is BORBA introduction]

[Text] Saturday's communique by Minister Jerko Doko, in which he sharply attacked the JNA [Yugoslav People's Army], was denied yesterday by his three closest colleagues who criticized him for working only at the orders of his advisers from Croatia.

Sarajevo—Bosnia-Hercegovina's minister of national defense, Jerko Doko, spoke out on Saturday in an communique from this Ministry, sharply attacking the JNA. The communique stressed that "the conduct of the Yugoslav Army has assumed the nature of an unprecedented brutality which violates all norms of civilized conduct at the end of the 20th century."

"The latest steps by the Yugoslav Army are aimed at causing a civil war in Bosnia-Hercegovina as well," states the communique, which is signed by Minister Doko. It also states that the Bosnia-Hercegovina state authorities have not been informed of enormous movements of

## YUGOSLAVIA

army troops, military equipment, and reservists from Serbia and Montenegro. "This only confirms that the military force that was created by all the peoples and nationalities has escaped from any control, and that it is acting in accordance with its own communist-Bolshevist and chauvinist logic, and is in the service of only one people," according to Saturday's communique from the Ministry of National Defense.

Yesterday, this communique from the Ministry of National Defense, which was signed by Minister Jerko Doko, was opposed by his deputy, Hasim Begovic, Assistant Secretary Ljubisav Terzic, and Chief Republic Inspector Dragan Kapetina. They emphasize that the above-mentioned communique is "one more instance of Minister Doko's arbitrariness, and a reflection of the way in which he carries out the Croatian Republic's policy in the area of national defense and the policy of the HDZ [Croatian Democratic Community] in Croatia and in Bosnia-Hercegovina."

This has to do with subordinating this Ministry's overall activity to the implementation in practice of that policy and of such orientations on the part of the minister and his sympathizers in the Ministry, while completely neglecting the interests of Bosnia-Hercegovina and of Yugoslavia in defense preparations and other affairs for which this Ministry is responsible, the three officials of the Bosnia-Hercegovina Ministry of National Defense wrote yesterday. They stress that because of this, one can say that Bosnia-Hercegovina has been left, in effect, without a Ministry of National Defense, "which, with the consent of centers outside the republic, and partly in it as well, has been employed to realize unconstitutional interests, and ones against the national interests of the citizens of Bosnia-Hercegovina."

Minister Doko's deputy, the assistant secretary, and the chief republic inspector, claim that Minister Doko, along with his group of sympathizers, is using special telephone and other communications established only with the Croatian Ministry of National Defense and with other factors of defense importance in that republic. Consultations are conducted secretly and in a conspiratorial manner, and decisions in the Ministry are made without a collegium, in a very small group. With respect to Bosnia-Hercegovina's defense preparations, they are of interest to the minister only to the extent that they are consistent with the orders and policy of the Croatian Republic, and to the extent that they produce anti-Yugoslav and anti-Army effects among the public, these three officials emphasize.

They claim that part of this Ministry was particularly involved in organizing a women's rally in Sarajevo, and preparing people and speeches for appearing at that gathering, and that a similar involvement is also being carried out these days in the coordinated generation of negative attitudes toward the JNA in opstinas in Hercegovina and some other areas.

### Details on Armed Forces in Serbia, Other Republics

92BA0037C Zagreb DANAS in Serbo-Croatian 1 Oct 91  
p 19

[Article by P.D.: "Party Armies in Yugoslavia"]

[Text] In Serbia, along with the legal units of Territorial Defense [TO] (about 250,000 members) and the police with its reserves, the most numerous organization is the Serbian National Guard, which, although organized apart from parties, mostly consists of members of the Serbian Renewal Movement [SPO]. It is difficult to determine the exact number, but it is said that the Guards have about 5,000 members in their elite corps and about 35,000 who could be under arms very quickly.

We know at this point that they fought with the Serbian terrorists on battlefields in Croatia and that the Serbian government is trying to deal with them in some fashion. The members of the Serbian National Guard wear the motley camouflage uniforms of Australian commandos, they are armed with weapons from their own arsenal (that is, obtained by smuggling), mainly Thompsons and Kalashnikovs.

In addition to the Serbian National Guard, the White Eagles, the army of Mirko Jovic, leader of Serbian National Renewal [SNO], are also among the more numerous. The White Eagles most resemble the Chetniks as we know them from the last war, they are training in camps in Serbia, and the name of Dragoslav Bokan has turned up in the public as one of the principal commanders. The precise number is unknown, because, they say, this is a "military secret." Before the White Eagles, Mirko Jovic formed the Dusan, the Strong Detachment, whose numbers we also do not know.

Around Vojislav Seselj there are a smaller number of militant types who call themselves Chetniks, who at first were given a great deal of exposure in the media, and then later their popularity suddenly dwindled when Seselj was linked to the party in power. Serbian volunteers detachments have been organized in Kosovo, led by Commander Dragisa Kovacevic. These detachments are deployed in four districts: Pristina, Pec, Prizren, and Mitrovica; it is said that there are several thousand of them in each of those places. They are also awkward for the Serbian government.

When it comes to the formation of military organizations in Serbia, one cannot avoid the name of Zeljko "Arkan" Raznjatovic, who most probably is involved in linking up "everything Serbian into the defense of Serbism" and in obtaining weapons, although he nevertheless has the closest ties to the Serbian National Guard. In Serbia, the Muslims in the Sanjak have also organized according to some military principle, but it is still not called an army. The situation is similar with the Albanian population in Kosovo, which is obviously well organized, but it is really difficult to say how many they

are and to what extent they are under arms. The organization of Serbs into other Serbian armies is continuing in Bosnia-Hercegovina, and thus the First Royal Shock Brigade has been established in the area around Mt. Kozara [Potkozarje]; it is made up of Serbian volunteers who are willing to place themselves under the command of the JNA [Yugoslav People's Army] at some point. The units of the National Front of Yugoslavia, the name given to the military formations of the LC [League of Communists] "Movement for Yugoslavia," consisting of "volunteers and Yugoslav patriots," would also place themselves under the same command if someone merely called upon them, and they expect to be armed by the JNA. In Hercegovina, in Nevesinje, the Serbian Karadjordje volunteer detachment has been established, and members of the SDS [Serbian Democratic Party] and free-lancers can be seen with weapons alongside them on the barricades. At the same time, it is clear that the Croats are also organized when arms have to be taken up, at least that proved to be the case when someone had to stop the Chetnik-Montenegrin reservists.

Now, Bosnia-Hercegovina could soon show the greatest resemblance to Lebanon, and that is particularly evident when the police reserves are being mobilized, and Muslim, Orthodox, or Catholic factions arise. It is no longer any secret that Bosanska Krajina has formed joint military units with Knin Krajina, which are at present traveling over that region in police uniforms or uniforms identical to those of Martic's people.

The public also recently learned of the Slovene "paramilitary formations." In addition to the members of the Territorial Defense, in Slovenia there are members of the Guards, recruited first in Maribor, above all from the ranks of the "Samo" movement. It is estimated that they number about 5,000 today in Maribor alone. In Slovenia, there is also mention of a military organization of young people known as "Mlin," of which some sources say that it is under the command of Janez Jansa.

#### Slovene-Czechoslovak Economic, Political Relations

21BA0025B Ljubljana NEODVISNI DNEVNIK  
in Slovene 19 Sep 91 p 2

[Interview with Stefan Loncner, Slovene representative in Prague, by Zoran Senkovic; place and date not given: "Cooperation Will Be Without Mediation by Belgrade"—first paragraph is NEODVISNI DNEVNIK introduction]

[Text] Czechoslovak politicians also think that recognition of Slovenia is only a matter of time.

Ljubljana, 19 Sep—If anyone is well acquainted with Slovene-Czechoslovak economic and political relations, it is quite certainly Stefan Loncner, who for two years now has been the representative of Ljubljanska Banka in Prague, and for one year has been Slovenia's authorized government representative in the Czechoslovak Federation. We took advantage of his visiting Slovenia for

several days to learn at first hand what economic and political relations between Slovenia and the Czechoslovak Federation are like.

"This cooperation," Stefan Loncner said, "has taken place within the framework of an intergovernmental agreement, and has been relatively modest—somewhere between \$120 million and \$130 million, although this is a good third of the trade between the two states. One of the main difficulties has been that we have not had access to large commercial arrangements. Ljubljana and Prague agreed in their latest contacts that the extent of cooperation was too low, and that it had to be put on a higher level, which means long-term cooperation."

[Senkovic] Where are there opportunities for cooperation, when we know that both economies are not in the best situation?

[Loncner] Recently Czechoslovakia has been opening up more and more. It is seeking a position for itself in the markets of Austria, Germany, and France, but at the same time it is aware of the fact that in several respects Slovenia has reached a European level and is consequently an important partner. There are opportunities in construction, long-term ties between commercial enterprises, pharmaceuticals, electronics, the metal-processing industry, the automobile industry, the production of tractors, and the wood-processing and furniture industry.

[Senkovic] What is the means of payment like?

[Loncner] The issue of clearing accounts has not yet been resolved, to be sure, but so far we have dealt with the procedure for settlement outside of the National Bank of Yugoslavia, and an agreement on convertible payment has been adopted. Since both states are still weak in terms of convertible currency, there are still several instances of barter.

[Senkovic] Since last October, you have also been the authorized representative of the Slovene government in that country. What are your tasks like?

[Loncner] In the beginning, two years ago, my basic task was to accelerate economic relations, but by assuming one more position, I assumed the responsibility of creating the best possible relations between Slovenia and both the federal and republic Czechoslovak institutions and political circles. During this entire period, relations with the latter have been better than with the federal one, but it is also necessary to understand their position. Yugoslavia, of course, is still an entity under international law. They are under a great deal of pressure from the Yugoslav embassy, which is completely Serbian, and at the same time, they also have difficulties at home with the Slovaks' aspirations for independence. Recently, however, both political circles and the press, with which I have already had five interviews, have been treating Slovenia more and more as an entity under international law, and several talks at the federal level have confirmed the assumptions that they are actually recognizing us;

with respect to formal recognition they state that it is only a matter of time. I also received that assurance a week ago in talks with Czechoslovak Prime Minister Calfa.

[Senkovic] It has been said that during the brief war in Slovenia, several Slovak volunteers announced themselves as ready to fight on the side of the Slovene Territorial Defense forces.

[Loncner] That is true. Twenty Slovak volunteers wanted to travel to Slovenia to help it in its struggle against the aggression.

[Senkovic] You are returning to Prague in a few days. What obligations await you?

[Loncner] We have to prepare a new framework for economic cooperation, which will be the basis for an intergovernmental agreement during the upcoming visit by Dr. Rupel to Prague. On the political level, work is continuing with respect to the recognition of Slovenia, taking into account the specific features of the Czechoslovak Federation, and we are likewise preparing to open new offices for the Slovene representation in the center of Prague. All of this together is undoubtedly opening a new chapter in mutual relations, in terms of both scope and quality.

#### Croatian Finance Minister on War Economy

*92BA0021C Zagreb DANAS in Serbo-Croatian  
17 Sep 91 pp 30-31*

[Interview with Croatian Finance Minister Jozo Martinovic by Ivo Jakovljevic; place and date not given: "Money for War and Peace"—first paragraph is DANAS introduction]

[Text] Through part of the overall Yugoslav rate of inflation, although a smaller part, Croatia is even bearing part of the aggressor's additional expenses! If by some chance trade between Serbia and Croatia had not been substantially reduced in the meantime, those costs, through the printing of money and growing inflation, would be much higher, the Croatian finance minister says.

In just 15 months Croatian finances have experienced dramatic changes, which have turned the Donji Grad building of the Ministry of Finance these days into a place where people work more than 12 hours a day. The acceleration of this biorhythm at Katanciceva 5 was started a year ago by a team of experts under the leadership of Minister Marijan Hanzekovic, a highly esteemed Zagreb professor of finances. At the beginning of 1991, Croatia received from the Ministry of Finance the draft of a flexible republic budget that was prepared both for the alternative of Yugoslavia as a confederation of sovereign states, and for a completely independent Croatia. Furthermore, the Ministry of Finance also carried out a very extensive, although fairly discreet reform of tax policy. In general, these were the finances of a state

in peacetime, in transition to a market economy with modern democratic institutions. The financial circumstances in which Hanzekovic's budget was drafted changed fundamentally, however, with the expansion of the economic blockade and the military aggression against Croatia. After the latest restructuring of the Croatian government, Hanzekovic's work was continued by Jozo Martinovic, until recently a director of the Zagreb Economic Bank, an experienced banker and financier "in his prime." Martinovic's ministry, however, is literally working on two fronts today. On one of them, it will continue carrying out the projects for Croatian finances in an alliance of sovereign states or a completely independent republic, and on the other, it will fully develop a plan for finances in wartime, which—with a possible complete mobilization—may be developed to extreme dimensions.

[Jakovljevic] The Croatian Assembly adopted the republic budget for 1991 at a time that was still without war, although even then under a sort of economic blockade. Thus, to what extent can that same budget help its defense today, when armed aggression is spreading to an increasingly larger part of Croatia?

[Martinovic] Admittedly, in the last six months there has been a change in the fundamental circumstances for handling republic finances. Instead of peace and development, today we have war, an attempt to occupy Croatia, tremendous human casualties and suffering, and increasingly greater destruction. Back in January the budget was put together in the amount of 59 billion dinars, of which 39 billion was allocated for regular expenditures, 10 billion for interventions in the economy, and 10 billion for the Federation, which was also to receive 11 billion in customs revenues. Because of the aggression against Croatia and the spread of war operations, however, budget revenues are not being received either in the amount or at the rate projected, while demands for the budget's money are constantly growing.

[Jakovljevic] What is indicated by the latest picture of budget revenues and expenditures for the entire territory of Croatia?

[Martinovic] From the beginning of January to the beginning of September, half of the planned amount has been paid into the budget, which—because of the war—is now settling only a fourth of the requirements, which have been adapted to the wartime economy.

[Jakovljevic] What, then, is the Croatian wartime budget being spent on?

[Martinovic] Above all, the war has led to a redistribution of budget revenues, as a result of which outlays for health care and defense have been given priority. Health care, which had gotten into a serious financial situation even without the war because of the economic crisis, is now in the front lines along with the defenders of Croatia. We have therefore had to strengthen Croatian health care with several dozen mobile hospitals with

surgical equipment, and to increase stocks of medicines, blood plasma, and other material. All of this would have been much harder to finance without the significant humanitarian aid from abroad, and especially from our emigrants, who are sending us vehicles with modern equipment, medicines, and various medical apparatus. This very day the outlays for defense would have been much, much smaller if the JNA [Yugoslav People's Army] had not robbed the Croatian Territorial Defense. Consequently, the additional expenses of the war today include food for the soldiers, both footwear and clothing, and the weapons themselves and ammunition. At the same time, through part—even though a smaller part—of the overall Yugoslav rate of inflation (for which the one most responsible is the National Bank of Yugoslavia, which is printing money wholesale to finance the JNA and the war against Croatia), Croatia itself is also bearing part of the aggressor's additional expenses! If by some chance trade between Serbia and Croatia had not been substantially reduced in the meantime, those expenses, as a result of the printing of money and the growing inflation, would be much higher.

[Jakovljevic] In war, each country tries to find money for the war either through foreign loans, or through higher tax rates, or by printing money itself. Neither the first possibility nor the third is currently available to Croatia. Does this mean that Croatia is financing the increasingly higher costs of defense through increasingly higher tax rates?

[Martinovic] So far Croatia has not used that second possibility either. The sales tax rate was even reduced in July from 35 to 32 percent. But the overall tax burden for taxpayers is still high by peacetime criteria, although relatively low by wartime criteria.

[Jakovljevic] Does this mean that in addition to the redistribution of budget expenditures and the so far quite limited republic printing of primary money (according to the initial projection by the National Bank of Yugoslavia for 1991), there is also some less visible means of financing the state's expenditures in a war that is spreading?

[Martinovic] Currently, we do not have any possibility of reducing the financial burden on the economy, but on the other hand we are intensifying control over the collection of taxes, so that as few taxpayers as possible evade paying them. In wartime conditions, the regular payment of taxes becomes not only a civic duty, but also a patriotic one. That is why we are also considering the idea of a sort of amnesty for all taxpayers who, for instance, have evaded paying taxes for the past five years. They could do it now—without penalty—and thus assist in the very defense of Croatia against the aggression by the Serbian leadership and the JNA.

[Jakovljevic] In wartime conditions, is Croatia still meeting any of its obligations to the federal budget?

[Martinovic] No, we are no longer paying anything. It really would be laughable if we were to finance our

occupiers ourselves. Croatia has probably paid enough already. At any rate, not only is the Federation not fulfilling the tasks with respect to Croatia that have been paid for in the past, but its key institutions are acting as part of the aggressor's forces. Thus, today it is the Federation that owes Croatia, and not the other way around. The Federation owes Croatia the total amount of the damages caused, not to mention its responsibility for human casualties and suffering.

[Jakovljevic] How many Croatian opstinas, however, are not paying their tax obligations into the republic budget today?

[Martinovic] For months now, 11 opstinas in the crisis area have not been meeting their obligations to the Croatian Republic's budget and have instead been paying them into temporary accounts of the Serbian SDK [Public Auditing Service], from which their payments go into the Federation's budget. This year they have amounted to 800 million dinars. That is a relatively small amount.

[Jakovljevic] Because of the war, is Croatia becoming an increasingly greater debtor to its citizens and enterprises?

[Martinovic] The fundamental goal of Croatian finances could be reduced to the following requirement: sound money, even in wartime. For that reason, Croatia is trying to finance its defense expenditures, as well as the war's destruction, with as low a rate of inflation as possible. In that context, solutions already exist for the republic's public debt. Long-term public debt, which now amounts to 24.5 billion dinars for a term of 30 years, will be repaid regularly from the republic budget. Next, during the upcoming period the law on the financial rehabilitation of banks will permit the financial rehabilitation of the economy, which is among the banks' founders, while banks' bad debts will be converted into state public debt with a 5 percent real interest rate for a period of 10 or 20 years. The most complex problem is public debt at the level of the Federation, which is manifested in the form of citizens' so-called old dinar savings. The Republic of Croatia, depending upon the outcome of the Yugoslav political crisis, will undertake its share of obligations to depositors from Croatia. This involves the amount of \$2.5 billion, located in depositors' accounts in banks headquartered in Croatia, and another \$800 million in banks headquartered outside Croatia. The Croatian state is paying its short-term public debt regularly, and thus, on 31 July 1991 it paid all the owners of the bonds that were issued on 15 December 1990 for export incentives, bonuses, and subsidies. We are now issuing a new series of bonds in the amount of 7 billion dinars, which will mature on 31 January and 31 March 1992.

[Jakovljevic] What has the war changed in the credit policy of commercial banks?

[Martinovic] The present shareholders in commercial banks in Croatia are the same people who are under

pressure from war, aggression, and defense expenditures in all their dimensions. Consequently, the priorities in their credit policy have also changed quite fundamentally. Three groups of credit requirements have priority today: financing food production, financing exports, and financing health care, the pharmaceutical industry, and the defense industry. Therefore, there has been no need for the state to use any particular administrative measures to interfere in banks' business, even though this is wartime.

[Jakovljevic] Are all the Croatian banks repaying all their foreign debts regularly and on time?

[Martinovic] The Croatian portion of Yugoslavia's foreign debt currently amounts to \$2.1 billion, and all Croatian banks are paying all due payments regularly and on time. That applies equally to long-term and short-term loans, and to both refinanced ones and all others, as well as to letters of credit and guarantees.

[Jakovljevic] Is the Ministry of Finance also investigating the possibility of soon advertising a wartime, voluntary, and patriotic public bond for financing Croatia's defense and reconstruction?

[Martinovic] Yes, we are also investigating such a possibility, both a dinar and a foreign exchange bond equally. Until we carry out all the planned studies and all the consultations, however, we will not propose such a project to the government.

[Jakovljevic] The fact is that most of citizens' foreign savings deposits on demand have been moved to so-called mattresses. It is likewise clear that every additional dinar for defense reduces the number of casualties. Have you in any way already tested public opinion in connection with a possible war bond in Croatia?

[Martinovic] Well, we could not have obtained a better test of public opinion in wartime than the increasingly greater and more unselfish assistance from our citizens, at home and abroad. Everything with which our people are helping the defense of Croatia—health care, soldiers,

exiled and robbed citizens—all of this is not only tremendous free assistance, but also an indication of a great patriotic awareness with which a war bond could also be a great success.

[Jakovljevic] Even though we are at war, we hear that the preparations for restoration of the Zagreb capital exchange are in the final stage?

[Martinovic] By the end of September, all the preparations should be ready. The exchange in Zagreb will admittedly not be a "marketplace with an abundance of vegetables" for some time, but it is important to start something, even in the most difficult circumstances, so that with the restoration of peace everything would be easier and quicker.

[Jakovljevic] The republic foreign exchange market also started in wartime. At what price are people dealing in "vegetables" in that market?

[Martinovic] The initial operation of the republic foreign exchange market was critically affected by the monetary blockade against Croatia that was imposed on 27 June by the National Bank of Yugoslavia. At the same time, the Yugoslav foreign exchange market ceased to operate. We introduced a 20 percent concession on foreign exchange for common republic import requirements (health care, energy, transport, budget expenditures, etc.), and 5 percent for the formation of commercial banks' foreign exchange reserves. The remaining 75 percent is freely used by enterprises. All of that foreign exchange is exchanged at the market rate, which is currently 75 percent higher than the official one.

[Jakovljevic] If the Brioni Declaration has already been shown to be "empty paper," is the Ministry of Finance preparing simultaneously for two essentially different scenarios: the complete independence of the republic, and total war throughout the entire territory of the republic?

[Martinovic] Yes, we are nearing completion of the preparations for the darkest alternative, but also for the much more likely alternative of a quick and stable peace.

NTIS  
ATTN: PROCESS 103  
5285 PORT ROYAL RD  
SPRINGFIELD, VA

2

22161

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Soviet Union, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.